## Consolidated Statement of Earnings

n thousands, except per share date)	January 30, 1893 (17 weeks)	October 3. 1892 (35 weeks)	February 1, 1992 (52 weeks)	February 2, 1991 (unaudited) (52 weeks)	February 2, 1991 (26 weeks)	February 3, 1990 (unaudited) (27 weeks)	August 4, 1990 (53 weeks)
alos	1889,843	<b>\$1,248,004</b>	12,127,817	<b>\$2,532,749</b>	<b>\$1,318,565</b>	<b>\$1,643,635</b>	<b>\$2,857,819</b>
mance charge revenue	27,285	55,377	83,892	110,707	49,282	63,591./	125,036
Cost of goods sold, including occupancy and buying costs	638,173	938,779	1,581,144	1,885,152	985,018	1,185,210,,,,	2,085,344
Selling, general, and administrative expenses	209,992	382,645	670,512	681,561	341,503	402,558	742,616
rovision for consolidation programs				47,000	47,000		
Sain on sale of Thattimers				(30,000)	(30,000)		
Other expense				<u>681</u>		<u>4,150</u>	4,831
arnings from operations before interest				•			
expense, reorganization items and income tex	68,943	1,957	70,253	59,062	24,306	115,308	150,064
nterest expense, net	29.623	60,185	102.288	144,882	71,048	<u>- 87,538</u> -	161,534
amings (loss) from operations before							
reorganization income (costs) and	39.320	Æ0 2201	(32,035)	(85,920)	IAO 7AM	27.710	111 470
income taxes	33320	(68,228)	(32,000)	(oglazni »	(48,740)	27,710	(11,470)
Reorganization income (costs)	A. A	<u> 884,131</u>	(138.057)	<u>(40,000)</u>	(40,000)		
arnings (loss) from operations before		-				$\Delta$	
income taxes	39,320	825,903	(170,092)	(125,920)	(88,740)	27,710	(11,470)
ncome tax benefit (expense)	<u>(18.600)</u>	6,800	J. Charles J. A. A.	28,250	<u>- 13,200</u>	<u>(11,050</u> )	2,000
Earnings (loss) before extraordinary items and							
cumulative effect of changes in accounting	22,720	832,703	(170,092)	(89,870)	(73,540)	18,660	(9,470)
Extraordinary items Gain on debt discharge		304,388		ild.			
Costs related to early retirement of debt, ref							
of income tax benefit of \$1,300 in the periods ended February 2, 1891			(18.894)	(14,070)	(14,070)		
Earthquake loss, not of income tex benefit							
of \$4,000, \$7,000 and \$11,000				(8,000)		(10,500)	(18,500
Cumulative effect of changes in accounting Income taxes		18,832					
Post retirement medical and other benefits,							i
net of income tax benefit of \$2,000		A all and a second	(30,000)	3.7			
Net samings (loss)	1 22,720	11,155,923	1 (218,986)	1 (118,740)	<u>\$ (87,610)</u>	8,160	<b>1</b> (25,970
	A Contract of the Contract of	A XXXXXX	AND THE PROPERTY OF THE PARTY O	MAKE MALAKA			

See accompanying Summary of Significant Accounting Policies and Financial Review.

b. 1013 recv o ann ichdink?		lidated Balance Shee		February 1
Participation of thousands) (reprised the property of the prop	(befibusing	1993	1892	1892
(23) weeks 127 value steeth waste)	그렇다 그 사람들은 어린다. 이번 생물이라면 나는 그 이번 그들은 이번 시간을 하는 것이 없다면 하다.	(colosou de) (colosou - (f)		i i manuela al
Current assets  (Cash ) (Cash		That has been selected and the state of the selection of	18,266 carifornia (1.004) 47,954	eilo i if 1 1 37,518 i interiori
Accounts receivable, net  Merchandise Inventories  Other current essets	10,436 42,630 (10,000)	578,784 \$\$0.55 467,709	484,628 511,424	815,309 m. 384,448
Property and equipment, net	(19,600)	12,813 1,078,033 788,129	26,007 1,088,279 784,833	19.822 1,057,093 509,189
Other assets  Liabilities and Shareholders' Equity	45 437 (45,437) 78,139 (46,437) (20,037) 91,631	45,740 1,912,802	- 47,589 1,918,701	101,380 1,667,682
Current liabilities  Notes payable and current  instaliments  (10,001)	201.693 (0.1)22 (0.1)69 (0.1)69 (1.1)69 (1.1)78	(64:57) [69,303] 14 989) 14,359	20 700	Accordance and the second seco
Accounts psyable		10 <b>69,385 4</b> 172,159	220,379	135,278
Accrued expenses  Current income taxes  (0) (1)  Current income taxes	317,900 14,216 (36,550) (00,555) (36,550), 250,660	142,973 3,038 377,555	165,302 3,000 487,473	242,758 : 10.923 : 10.923 : 10.923
Liabilities subject to settlement under reorganization proceedings  Receivables based financing		487,577	vistaro* to 388,306	428,823 598,321
Other long-term debt Capital lease obligations	200.254 37,000	515,858	513,165 Cultural harm 53,102	489,254 453,174 453,174 55,255
Other liabilities  Deferred income taxes  (1) (1)  Shareholders' equity (deficit)	(0:3/00)* (103/094); (20,0:0) 23 10A	117,343 12,450	(hlipsi br. 5,000	132,471
Preferred stock, 1,01 par value  Common stock, 1.01 par value  Other paid in capital	(8,894) (6,113)	(50901) 352	tun triali aret 350	303
Accumulated earnings (deficit)	4,305) 1,702,34.5) 4,305 14,820	361,878 22,720 374,781	350,000	643,194 (1,151,973) (608,476)
	101.66 512/6.4	<u>• 1,912,902</u>	1,918,701	<u>1 1,687,682</u>

See accompanying Summary of Significant Accounting Policies and Financial Review

### Consolidated Statement of Cash Flows

		Period	Ended	Year	Ended	Period	Vant Endad	
cuar.	Cuching 3	January -30, 1993		, February 1,	February 2, 1991	February 2,	February 3,	Year Ended August 4,
(In thousands)	Jan San San San San San San San San San S	(17 weeks)	(35 weeks	) (52 weeks).	(unaudited) (52 weeks)		(unaudited) (27 weeks)	(53 weeks)
Operating activities							( f , e , J , .	Salta .
Earnings (loss) from operations	i fall of	\$ 22,720	<b>\$ 832.703</b>	<b>*</b> (170,092)	± (89 870) -	± (73 54∩)	<b>16,680</b>	4 /0 A70\
Adjustments to reconcile earn	ngs (loss) from operations				+ (00,070)	* (70,040)		121 <b>\$</b> (9,470)
to net operating cash flows	1,10,11						n	ALL FAIL
Fresh start adjustment	H 859,465	57.9	(908,373)			i an	Will be real in	
Depreciation and amortization Stock compensation	511AZ4	10,617	. 27,923	43,638	42,630	21,838	27,603	50,995
Earthquake costs	ff	1,401			(4°0 000) -			
Gain on sale of Thalhimers	200,000	1			(10,000)	(20,000)	(17,500)	And (27,500)
Gains on asset sales	3,000 27C	. ca.0,615			(7,298)	(30,000)		/7 200\
Deferred income taxes	1.200	18,450		. i . i , ,	(18,605)	(19.091)		(7,298) (514)
Change in operating assets							a. moggiet.	D. C. S. (014)
of sale of Thalhimers in 18	180 . U. :\*:	<u>(15 1</u> 41)					78.0	. it. :0
Restricted cash	10/3/013	47,854	(47,854)	45,437	(45,437)	(45,437)		
Customer receivables, net  Merchandise inventories		(88,217)	105,040	78,166	26,565	(89,693)	(146,843)	8,272 -
Accounts payable and accr	und liabilities	43,715 (64,157)	(79,478) 59,309	(28,887) -	91,834	··· 84,300	21,826	12,081
Receivables securitization d		(04,107)	00,000	201,893 7,968	70,022	29,452	(87,736)	(28,452)
Other net		(4,989)	14,359	(11,565)	(5,116) 13.179	2,882	(10,345)	(15,472)
Net cash provided (used) by ope	rating ectivities	(14,508)	5,531	168,444	27,104	(109,291)	<u>1,343</u> (174,892)	(18,529) (35,897)
	272.032	Set.		7		HOU, LOV	OB ATTACAST	1 2 1 7 2 1
Investing Activities							di di pari dilina	
Proceeds from sale of Thalhimer	sunder and the	£/e' i			317,000	317,000	Te of the No. Mar.	5 A
Proceeds from asset sales Purchases of property and equip	(*)9."				14,216	8,469	0.001 L	5,747
Net cash provided (used) by invi	the contract of the contract o	(21,180)	(17,052)	(34,850)	(80,556)	(37,989)	(28,219)	(83,220)
		<u>(21.180)</u>	(17,052)	(34,850)	250,660	287,480	(28,219)	(77,473)
Financing activities						las	is if a	
_ Postemergence debt activity						251	u .	
Net change in financing under		78,271	388,308			tru	in the dealer	
Net change in financing under	working capital facility	(38,485)	90,800					
Postpetition debt activity		600.31					that his pag	1.6
Net change in financing under Net change in financing under		47.5%	(489,254)	489,254	-		the op highligh	
Prepetition debt activity	Motivatifi cabital tacidites	218,511	(37,000)	37,000			รt. ก็ไได้!	i telesti
Net change in financing under	receivables based facility			(633,788)	/152 00A	/44 O40\		
Net change in financing under	working capital facility	12,459		(000,700)	(153,994)	(44,848)	20.135,380	26,214
Other issuances of long term d	ebt	10.0			23,104	(40,000)	20,000	40,000
Retirements of long-term debt an	The state of the s	(2,739)	(1,929)	(2,771)	(116,053)	(71,665)	(6,162)	(53,904)
Costs relating to early retirement						V.13.		
of items not requiring cash out	1 <b>2y</b>		(10,652)	(16,894)	(5,113)	(5,113)	14 47 3. 51	
Net cash provided (used) by final	neina antivities	20 047	50,000	/// 07 050	8,212	2,347	44,697	50,562
The state of the s	winh ernings	<u>~ 38,047</u>	(9,728)	(127,209)	(262,844)	(159,279)	<u>193,895</u>	100,054
Net increase (decrease) in cash	TV OLI	2.351	(21,250)	4,385	14,920	18,910	/0 210	- /10 000
Cash at the beginning of the period	y y Oil	18,268	37,518	33,131		14,221	(9,316)	(13,308)
	117,3107.1					17,221	<u>27,527</u>	<u>27,527</u>
Cash at the end of the period		1 18,617	1 18,268	37,516	33,131	33,131	<u>\$ 18,211</u>	1-14,221
		1 10 A. T.						

See accompanying Summary of Significant Accounting Policies, and Financial Review of Significant Accounting Policies, and Financial Review of Significant Accounting Policies, and Financial Review of Significant Accounting

### Consolidated Statement of Shareholders' Equity

(in thousends)	Warrents	Shares	Issued	Par 1	<u>Value</u>	Accumulated Other Paid: Earnings
DA. T. A.	Issued	Preferred	Common	Preferred	Common	in Capital (Deficit)
Net loss Issuance of common stock to profit	PARISHE VITA	subseque	23,080 in		M. William Co.	(25,970)
Net cancellations of common stock will be under the stock incentive plan and the vicinity of the stock incentive plan and the vicinity of the	ion (°POP")); nittee of the 'c	eorganizal ficial com	3,223 (184)	Company Codings	32 (art) (2) (1)	23,242 (3,249)
Recognition of additional minimum (1981)  pension liability  Balance, August 4, 1980  Not loss	tine two-thing	excess of	is viell in	v eight ten	acid bolde	18 October (military 1/6-
Net loss Issuances of common stock to profit			nce Care:	อมเอเทธิ" อ	1992 (1)	787,810)
Net cancellations of common stock  under the stock incentive plan  Stock incentive plan contra	ock outstailul	ommon st	יח יותחווו כ	conversion	oth incite	2,400 (2,171) (2,171)
Adjustment to additional minimum ( 510113)	illion of convi lec <u>certain</u> set	i of 2.5 m cerest unc	tos benid	and a comersion of	tion with	3,758 0 643,252 (918,182)
Net cancellations of common stock under the stock incentive plan  Adjustment to additional minimum pension liability  Balance, February 1-1892	on Stock in S In addicional geniciti (the	rninn.) io arei (rate rsion 70	in theres	21.2 millir laims on ti Rion Fach	bavione o karunad Monado	(18,805)
Net cancellations of common stock 18 (18 (18 (18 (18 (18 (18 (18 (18 (18	ite, 32 a millionant mant, of which	rective Da fective Da ionas or C	or each ac s of the El ( <b>(888)</b> ere	nai investi share: A OR and, to 9f all 35.0	enioniza. enioniza. enioniza. enioniza.	1,155,923
Existing equity holders:						
Cancellation of existing \ common stock outstanding			(28,481)		(302)	(643,184)
together with warrants or	ign "Effective	1992 (1	October 3	nts as of (	s arenie	richisell silT.
holders of liabilities subject to settlement	nstitute ot Ca In Repuganiz	imaricarj i by Entities	<b>27.600</b> 000	ring contr Financial f	** \278? (10	275.724 1 19 05 L
Additional equity investment  Balance, October 3, 1992  Net earnings  Issuances of new common stock  Conversions of preferred stock	1,333 ():18	gil.143, orli to ob eins	34,888 GIT	i filalit ii nonscii en	(350)	349,639 22,720
Balance, January, 30, 1993	11 1374 1321	1.102	35,200 or y ear	it toemo:	<u>352</u>	<u>\$351,678</u> <u>\$22,720</u>



1992 Annual Report & Form 10-K

The Compan	Tala fir runing	ibility out his entitle	thinines transmin	iction of birth with	11 Thirty William	and the second second	
dulinues duct place	n jen eydd yalg, n	drust mont anigr	a company cure	evendiass to say	26.1 1:92.	of the agent of	sing pulpramaet
tink of view of views	and mont from	a sec in this ter	ion. But what ;	the is more recept	Hydran foh	2111 712	hatic con anoma
Carter Hawle							
			Manager of the Control of the Contro	a bear drove a total a total a	A A see by amore AA. 140	new miredenishes mind me	a ree diladan at
\$2.1 billion.	At the end of fisc	al 1992, the com	pany operated 8	3 department st	ores in the W	estern United	States under
\$2.1 billion.		al 1992, the com	pany operated 8	3 department st	ores in the W	estern United	States under

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Item 1: Business  The Properties with his properties of migetizers of migetizers of migetizers of the policy of the material in the second properties of the	13
Item 5: Market for Registrant's Common Stock and Related Stockholder Matters  Stockholder Matters  Stockholder Matters  Selected Financial Data  Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations  Item 8: Financial Statements and Supplementary Data  Changes in and Disagreement; with Accountants on Accounting and Financial Disclosure  Accounting and Significant of Significant Significants and Supplementary Data  Changes in and Disagreement; with Accountants on Accounting and Financial Disclosure  Accounting and Significant Significants and Supplementary Data  Changes in and Disagreement; with Accountants on Accounting and Financial Disclosure  Condition of Significant Significants and Significants of Significants and Significants of Significants of Significants and Significants of Significants	15
Part III a process for the to be a security of the measure of the registrant case of the first process of the Registrant case of the regi	25 25 25
of the recession coming late to California and major employment returness particles in the defence of the recession coming late to California and major employment returness particles in the defence of the additional control of the	27

appreciated, and we well understand that which you expect in return.

· Very truly cours,

Sumuel Zell

April 23, 1993

Chairman of the Roard

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To Our Shareholders:

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Red about the supering of the Abraic affections of

This is the first opportunity that I have had to communicate with you since the emergence of Carter Hawley Hale from bankruptcy proceedings on October 8, 1992. Needless to say, a company emerging from bankruptcy does not make for beautiful annual report reading, and Carter Hawley Hale is no exception. But what you see in this report, from a financial point of view, is very much history and only reinforces the need to focus on the future.

There is much to share with you that is positive:

On March 24, 1993, David Dworkin assumed the role of President and Chief Executive Officer and has hit the deck running. David's engagement is the result of an extensive search process where we had in-depth interviews with the best-people in the industry. Despite the fact that all the people we talked to had outstanding backgrounds and experience, there was no question that David represented the perfect candidate. His experience, his candor, and his motivation dovetailed with our objectives, and his first month at the helm has only reinforced our conviction that he will make Carter Hawley Hale the most outstanding department store company in the country.

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This is evidenced by the team he has begun to assemble, having promoted Edwin Holman from executive vice president operations to vice chairman and chief operating officer; and hired Gerald Mathews from Saks Fifth Avenue as executive vice president stores, and Elayne Garofolo from GFT USA Corp. as executive vice president marketing and sales promotion. These three individuals, like David; are energetic, highly experienced, and well respected in the retail industry.

The board of directors of your company has been radically changed. We sought out and were successful in bringing new experiences and views from a broad range of perspectives. Joining the board is Terry Savage, a nationally recognized financial author and columnist; James Woods, Chairman, President and GEO of a major industrial company; Sandy Shkolnik, chairman of one of the largest shopping center owners in the country. Leo Estrada, a professor of urban planning and architecture at UCLA; and Robert Solow, a professor at Massachusetts Institute of Technology and Nobel Prize winner in Economics. These individuals were invited to serve on the board of this company because each of them is viewed as a contributor. Our objective and their objective is to serve the best interests of you, our shareholders and jointly contribute to the resurrection of Carter Hawley Hale. None of us view this as either a simple or quick process, but we are all convinced that there is an extraordinary opportunity to do so.

Any retailer will tell you, location is a critical element in accessing the potential of any retail opportunity. Carter Hawley Hale is fortunate in that its locations are not only in almost every significant mall in its trade areas, but in most cases, its locations are superior within those malls. In addition, during the bankruptcy we were able to assess all of our locations, close those which did not provide us with future growth opportunities, as well as renegotiate terms and conditions very favorably. The result of these negotiations is that the "new Carter Hawley Hale" goes forward with significantly lower occupancy costs than in the past.

As I'm sure you are aware, the California economy is currently digesting some very significant changes. A combination of the recession coming late to California and major employment reductions, particularly in the defense area, has made this a difficult environment. We view this environment as a unique opportunity to address all of our operating costs and our manpower requirements with the objective of creating a lean and efficient organization. This is particularly so with reference to non-sales associate personnel. We believe that addressing these overhead issues in a weak retail environment will better position the Company to be profitable as the economy recovers and optimism returns.

This is just the beginning. We are very excited and enthusiastic about how Carter Hawley Hale can be changed and the impact that David Dworkin's leadership will make in this process. Your continued support as our shareholders is very much appreciated, and we well understand that which you expect in return.

Very truly yours,

PILINTED ON RETY

Samuel Zell ()
Chairman of the Board

April 28, 1993

To Our Shareholders:

I want to talk about change, the need for change, and what we need to do as a store to make CHH an outstanding retailer. As we move further into this decade, it is clear that the customer of the 90's is going to be more demanding; focused, and time driven. This customer has changed and will continue to change the very nature of our business, and by her stringent demands she will directly mold us as retailers as we relate to her needs.

In this letter I will attempt to share some of my basic beliefs and views of the business as I begin my days at CHH.

This company has suffered from a variety of distractions over the last several years. We have today a company where I believe we can make significant strides in the areas of merchandise assortment, space reallocation, and store remodeling.

We need to focus on the "need to change." We need to reinvent ourselves based on the many strengths in the business that we have inherited. It is now the time to aggressively challenge all activities and procedures as they currently exist so we can move forward in a positive and successful manner.

As the first step of change, the senior leadership of this company has developed a mission statement for CHH. This statement expresses our vision for the business and serves as the foundation for our identity as a company.

We have also launched a thorough, objective study of our organization, analyzing everything we do to determine whether these activities are necessary and, indeed, add value. The study, which is formally called an Activity Value Analysis, or AVA, is driven by 15 people selected from various levels and areas within our store family who are empowered to make clear-cut suggestions to produce significant change and enhancements for all of us.

As a corollary, during this study we are also determining what we should be doing to better serve our customer, as well as what we can do without, in order to make our organization more effective. Many, if not all, of these suggestions will also come from within our store family.

As an organization there is an understandable anxiety and confusion as we confront the tough issues facing us today. Change can be frightening to people and many of the decisions will be painful. We may find that logic tells us to downsize the organization. If that is the case, we will face up to those tough decisions. If downsizing occurs, it will occur as a result of a need to streamline the organization in order to bring us closer to the customer and become more competitive than we have been in the past. However, we will strive to protect all sales associate positions and, with an ever-increasing vigor, to improve upon our commitment to outstanding customer service.

CHH can be an outstanding company. However, today we lack sufficient competitive zeal and a truly cohesive game plan.

My pledge to you is to quickly change this so that our company can move aggressively forward. Here are some of the significant strengths with which we have to build:

- Outstanding individuals who really care
- Superior store locations
- State-of-the-art information systems
- A new Planner/Distributor organization
- The fact that we are the local, hometown store versus our competitors, who are driven as national franchises, gives us a unique opportunity to market to California and the Southwest's ethnic and demographic diversity
- Lastly, a developing culture that really wants to win

When I look at CHH, I see people and a business with tremendous potential. Over the coming months we are going to move CHH progressively into the 90's. I promise you it will take a lot of hard work and may cause a significant amount of pain. I also promise you it will, in the end, be exciting and rewarding as we begin to achieve our significant goals.

Sincerely,

David L. Dworkin.

President and Chief Executive Officer

April 28, 1993

### FORM 10-K

### SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

address for the contraction of the state of For the Fifty-two week period Ended January 30, 1993

## CARTER HAWLEY HALE STORES, INC.

Delaware (State or other jurisdiction of incorporation or organization)

94-0457907 (I.R.S. Employer Identification No.)

3880 North Mission Road Los Angeles, California (Address of principal executive offices)

90031 (Zip Code)

inkeniu.

Registrant's Telephone Number, including Area Code: (213) 227-2000

et bonssmir religion in Institution to Securities Registered pursuant to Section 12(b) of the Act:

Name of Each Exchange

Timps of accountillor day bear, some in within the Kide har swift your and it send vitages ) and Title of Class

on Which Registered

Common Stock and stilusor their reaction of it to motion. New York Stock Exchange and the Company ("Management") beijoves-Carba starraw Warrants isseartly increased the efficiency of the Comment with a distribute with

Pacific Stock Exchange

Securities Registered pursuant to Section 12(g) of the Act: distological beyongther in an artist of the state of the state of the control of the state of the state of the

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of common stock held by non-affiliates of the registrant as of April 16, 1993; \$115,626,988

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Number of shares of common stock outstanding as of April 16, 1993: 33,048,435

### Documents Incorporated By Reference

Part III incorporates certain information by reference to the Company's Definitive Proxy Statement Relating to the Annual Meeting of Stockholders to be held on June 3, 1993.

PART I

ITEM 1. BUSINESS

### GENERAL'

24.03 MARKEN

Carter Hawley Hale Stores, Inc. (the "Company"), organized in 1896, is one of the leading operators of full-line department stores in the Western United States. The Company operates 83 department stores under the names The Broadway, The Broadway-Southwest, Emporium and Weinstocks with an aggregate of 15,176,800 square feet of gross retail store space. The Company's 41 Southern California stores generate approximately 50% of the Company's sales. Approximately 40% of the Company's sales are generated by its Emporium and Weinstocks stores located in Northern California. The remainder of the Company's sales are generated through stores located in Arizona, Nevada, Colorado, and New Mexico. The stores, which are primarily located in regional shopping centers and malls, currently feature moderately priced goods and emphasize a high standard of quality. The stores currently carry a wide range of merchandise with an emphasis on apparel and also feature cosmetics, accessories, home furnishings, electronics and, in most cases, furniture. See "Business Strategy" below for prospective changes in the merchandising content and methods of the Company.

RECENT COMPANY HISTORY

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Introduction

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During the last three years, the Company has implemented substantial operating and financial changes which have significantly reshaped both its business and capitalization. The Company has significantly restructured its secured debt obligations by extending the maturities and adjusting the prospective interest and principal payment terms for such debt. In addition, the Company converted \$600.0 million of unsecured debt obligations to equity, obtained a \$50.0 million equity infusion, negotiated significant reductions in its equipment and real estate lease payments, and put in place new three-year working capital and receivables financing facilities. The Company has also substantially completed a consolidation of its operations, which resulted in a significant reduction in fixed operating costs. The management of the Company ("Management") believes that these measures have de-leveraged the Company's balance sheet and significantly increased the efficiency of the Company's operations. Management believes that these cost-saving measures, when combined with the Company's improved capital structure, place the Company in a strong position to capitalize on opportunities which would be presented in an improved economic environment.

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On February 11, 1991 (the "Petition Date"), the Company filed a voluntary petition for relief (the "Filing") under chapter 11 ("Chapter 11") of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). During the Chapter 11 proceedings, the Company managed its affairs and operated its business as debtor in possession under the supervision of the Bankruptcy Court while it developed a reorganization plan to restructure the Company. On October 8, 1992, (the "Emergence Date"), the Company emerged from bankruptcy under a plan of reorganization (the "POR") confirmed by the Bankruptcy Court. Since the Emergence Date, the Company has operated independently, although the Bankruptcy Court has retained jurisdiction over certain claims and other matters' relating to the Filing. See "Chapter 11 Proceedings; Unresolved Claims" under Item 3.

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Pursuant to the POR, as of the Emergence Date, the Company's largest secured creditors, the Prudential Insurance Company of America ("Prudential") and Bank of America National Trust and Savings Association ("BofA"), as agent for itself and certain other lenders (collectively, the "Banks"), and certain other secured creditors agreed to extend the maturities and adjust the prospective interest and payment terms for loans totaling \$451.8 million and capitalize \$66.1 million of interest accrued thereon during the Chapter 11 proceedings.

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The maturity of the \$344.0 million of notes due Prudential (the "Existing Notes") was extended for approximately five years to October 2002, and previously accrued and unpaid interest and certain other charges totalling \$53.4 million were capitalized into a 9% note (the "Accrued Interest Note"). Principal payments on the Accrued Interest Note and the Existing Notes will commence in October 1997, continuing in equal monthly payments of principal and interest through October 2002. The Existing Notes continue to accrue interest at the blended contract rate of 10.67%. However, the Company is only required to pay interest at a rate of 7.5% (the "Pay Rate") for the first two years following the Emergence Date, with the difference being capitalized into the Accrued Interest Note.

The maturity of the \$89.7 million of notes due to the Banks was extended for approximately four years to June 1999. Interest from the Emergence Date through June 30, 1995, is payable at LIBOR plus .625% and thereafter at LIBOR plus 1.25%. At January 30, 1993, interest was accrued at a rate of 3.875% on the notes. Previously accrued and unpaid interest on the notes and other negotiated charges totalling \$10.7 million were capitalized in a 9% note payable in 36 equal monthly installments commencing November 1992.

While the Chapter 11 proceedings were pending, Zell/Chilmark Fund, L.P., a Delaware limited partnership ("Zell/Chilmark"), acquired via tender offer approximately \$461.0 million in unsecured claims against the Company, making Zell/Chilmark the Company's largest unsecured creditor. Pursuant to the POR, \$600.0 million of unsecured claims, including \$350.0 million of unsecured high yield debentures that had been issued by the Company, were converted into equity. Zell/Chilmark's claims were converted into 21,204,840 shares of the common stock of the Company issued in connection with the confirmation of the POR ("Common Stock"), which represented approximately 66% of the shares outstanding as of the Emergence Date. In addition, Zell/Chilmark and First Plaza Group Trust ("First Plaza") were each issued 2,500,000 shares of Common Stock in exchange for an equity infusion totaling \$50,000,000. As a result, Zell/Chilmark held approximately 73.2% of the shares of Common Stock outstanding as of the Emergence Date.

Pursuant to the POR, holders of the Company's common stock, \$.01 par value, outstanding prior to the Emergence Date ("Old Common Stock") received .081 shares of Common Stock and .084 warrants ("Warrants") (or, in the case of participants in the profit sharing plan in effect prior to the Emergence Date with respect to shares of Old Common Stock held by such plan and other holders of Old Common Stock who so elected, .081 shares of Common Stock and .084 shares of the Company's Series A Exchangeable Preferred Stock issued pursuant to the POR ("Preferred Stock")). Each Warrant entitles the holder thereof to purchase one share of Common Stock at a price of \$17 per share until October 8, 1999 (subject to earlier termination under certain circumstances). The Warrants are traded on the New York Stock Exchange. Each holder of Preferred Stock is entitled to one vote per share (voting together with holders of Common Stock as a single class) and a liquidation preference of \$.25 per share. Each share of Preferred Stock is exchangeable for one Warrant until October 8, 1999 (subject to earlier termination under certain circumstances).

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The before and after effects of the POR on the capitalization of the Company as of the Emergence Date are summarized in the following table (dollar amounts and share numbers are in millions):

Pre-Confirmation  Secured debt (including: \$62.4 of accrued interest) \$513.2(1)	Post-Confirmation  Secured Debt (including \$62.4 of Accrued Interest Notes)  \$\frac{\frac{5}{2}}{2} \frac{5}{2} \frac{1}{2} \f
Held By:	Common Stock Issued To:  Shares  Percentage
Zell/Chilmark \$461.2	Other
Pre-Emergence Date Stockholders 29.5 shares	Pre-Emergence Date  Stockholders  2.4  30.0  85.7
	New Investment
to the common pence I late with a few terms in always of the common pence of the common terms of the common pences	First Plaza ("Joole et
(1) Excludes current maturities of \$4.7 million: (2) Includes 2.3 million shares reserved for issuance to	Fried Section Wayant equince the holder the political that the section of the control of the results of the control of the results of the section of the York Stock Exclusive Control of the less of Continue Section section.

In connection with the Chapter 11 proceedings, the Company negotiated reductions in rental rates and common area charges under many of its real property leases and related agreements, which the Company estimates will result in an annual cost savings of approximately \$6.0 million compared to the amounts paid for the year prior to the Filing. The Company also renegotiated many of its equipment leases. As a result, rental charges under the Company's equipment leases have been reduced by approximately one-third, which the Company estimates will yield a cost savings of approximately \$9.0 million compared to the amounts paid for the year prior to the Filing.

As of the Emergence Date, the existing debtor-in-possession working capital facility and the receivables based financing arrangement with Chemical Bank were replaced with three year facilities provided by General Electric Capital Corporation ("GE Capital").—Subject to collateral limitations, the new facilities provide for up to \$225.0 million in working capital financing and up to \$575.0 million to finance the Company's credit card receivables portfolio. As of January 30, 1993, \$52.3 million in advances and \$45.1 million in letters of credit were outstanding under the working capital facility, and \$467.6 million of commercial paper, the maximum available based on the level of customer receivables was outstanding under the receivables facility.

For additional information related to the financial obligations of the Company and the financial impact of the Chapter 11 proceedings on the operations of the Company's business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7 and "Consolidated Financial Statements—Summary of Significant Accounting Policies" on pages 37-39.

The Company does not, as a matter of policy, publish projections covering future performance. However, in connection with the consummation of the POR, the Company was required by law to include certain projections in its disclosure statement to establish the viability of the POR. Those projections were prepared in early 1992. As a result of regional economic conditions, the Company's management transition and other factors, the Company does not believe that such projections are necessarily indicative of future performance.

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### Consolidation of Operations

The Company has undertaken a significant series of programs over the past three years to consolidate its operating divisions and reduce its expenses. In the fall of 1990, the Company sold its Thalhimer Brothers, Inc. ("Thalhimers") subsidiary. As of January, 1991, the Company operated its stores through four separate divisions, each in diverse locations with separate management, administrative, marketing and sales promotion functions. In April of 1991, the Company consolidated its Weinstocks and Emporium divisions. In January, 1992, the Company consolidated the Broadway-Southwest division into the Broadway-Southern California division. Finally, in April of 1992, the Company consolidated its Emporium-Weinstocks division into its Broadway division, forming a single operating unit based in Southern California. Management believes that the 1992 consolidations of the Company's operations have resulted in cost sayings of approximately \$30.0 million per year.

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In connection with the consolidation of the Company's store operations, the Company consolidated its private-label credit card and accounts payable operations into a single administrative center located in Tempe, Arizona, which the Company estimates will result in an estimated annual cost savings of approximately \$6.0 million compared to the amounts paid in the year prior to the filing of the chapter 11 petition. Over the last three years, the Company has downsized its Anaheim, California data processing operation, reducing employment at the facility from approximately 530 employees to approximately 330 employees. Management estimates that this downsizing has reduced annual data processing costs by approximately \$17.0 million. Management believes that the Company's data processing costs compare favorably with the marketplace generally. The consolidation of its operating divisions described above also reduced the requirements for separate distribution and warehouse facilities, permitting the closure of two warehouses in the San Francisco and Sacramento areas.

During the last two years, the Company closed six stores, including all three of its stores in the greater Salt Lake City, Utah metropolitan area. The Company also closed several clearance centers. Management believes all of the Company's stores are now profitable on an operating margin basis and that the Company's stores are well-positioned in the most desirable shopping centers in the communities served.

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On March 24, 1993, David L. Dworkin joined the Company as its President and Chief Executive Officer. Prior to joining the Company, he served as Chairman and Chief Executive Officer of British Home Stores, a division of Storehouse PLC, a London, England based retailer, from November 1989 until July 1992, and as Group Chief Executive of Storehouse PLC from July 1992 until joining the Company in March of 1993. He has in excess of 25 years experience in the retail industry, including service as President and Chief Executive Officer of Bonwit Teller, President and Chief Operating Officer of Neiman Marcus, and Executive Vice President of Marshall Fields, a division of Dayton Hudson.

David Dworkin and the Company's other senior executive officers are in the process of refining the Company's long-term business plan, and are developing a specific multi-pronged strategy designed to improve store sales productivity, further reduce operating expenses and identify opportunities to increase the profitability of the Company's business. One key element of the Company's business strategy involves the modernization of the Company's stores and reallocation of store space in favor of more profitable, faster-turning merchandise. In addition, the Company will focus its merchandise assortments toward young, casual, active apparel and accessories with mainstream, classic and updated fashion orientations. The Company will de-emphasize certain merchandise areas over time in connection with the reallocation of selling space and the re-assortment of merchandise offerings. Management believes that this re-assortment of merchandise will involve a significant reduction in the number of

vendors used by the Company and increase the Company's purchasing power with its remaining vendors. Another significant component involves the further reduction of operating costs through the streamlining of operations and development of a more targeted approach to marketing and sales promotion activities. Although many details of the Company's long-term business plan remain to be clarified, Management believes that these strategies build upon the existing strengths of the Company, which include convenient store locations in most of the top regional shopping malls in the Western United States, strong customer loyalty and solid, efficient operations.

#### COMPANY OPERATIONS

General hard schilled the grant of the leading full-line department store operations in the Western United States in terms of sales, market share, and number of locations. The Company's stores emphasize high-quality assortments in the apparel, cosmetics, accessories and home furnishings categories that are both fashionable and value oriented. The Company also seeks to provide its customers with a high level of personal service. The Company's stores offer high-quality, moderately priced products and cater to middle and upper-middle income customers.

Although the Company's stores presently operate under the names The Broadway, The Broadway-Southwest, Emporium and Weinstocks, all management functions have been centralized, resulting in the elimination of duplicate support functions. Management, marketing and sales promotion, merchandising departments and support functions (other than accounts payable and credit card operations, which are consolidated in Tempe, Arizona, and data processing operations, which are consolidated in Anaheim, California) are all located at the Company's corporate offices in Los Angeles, California.

The Company's forty-one California Broadway stores are spread over a seven-county area in Southern California extending from Bakersfield and Santa Barbara in the North to San Diego in the South. The Company's twenty-two Emporium stores are located predominantly in the San Francisco Bay area. Of the Company's nine Weinstocks stores, eight are located in the Sacramento and Central Valley region of California, and one in Reno, Nevada. The Company recently announced that it will change the names of its eleven non-California Broadway stores, which are located in Arizona, Colorado, Nevada and New Mexico, from The Broadway-Southwest to The Broadway.

During the past five years, one California Broadway store was opened and three stores were closed. In addition, one store was opened and one store was closed in Arizona. In January 1993, the Company closed Weinstocks stores located in Salt Lake City, Murray and Ogden, Utah. No Emporium stores were opened or closed in the past five years. Management does not presently contemplate additional store closings in the near future, although it continues to evaluate each of the Company's stores as market conditions evolve. In addition, Management from time to time considers opportunities to open new stores.

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Properties

The location, year of opening, approximate gross square footage, initial lease or current renewal option expiration date (or a notation that a store is owned by the Company), and, for leased stores with additional renewal option periods, the final renewal option expiration date, in each case as of April 16, 1993, are set forth below. All stores listed are located in California unless otherwise noted. Approximate

ent L'evas		\$ 40 E	Year	Gross Square	· · · · · · · · · · · · · · · · · · ·
Name 0.00.36001	Location	1914	Opened	N. Footage	Lease Expiration Date(1)
The Broadway	(1)	10.00		and somermine	
(California Stores)	(x0 t 1 :	15.18	1	Liss dones, Mer.i.	
Baldwin Hills (N.G.)(1)105	Los Angeles	rean	1947	213,500	Owned-2042(2)
Panorama City	Panorama City	1982	1955	<sup>5(i)</sup> 217,000	Owned
Los Altos Center	Long Beach	1986	1956	147,000	Owned
Del Amo	Torrance	1661,,,	1959 "	220,500	Owned
Whittwood Mall	Whittier	17-18-1	1961	141,000	2006/2021
Grossmont Shopping Center	La Mesa	$r_{\rm e}$	1961	158,000	2015 . i. i votas A
West Covina Fashion Plaza	West Covina	1895	1962	142,000 .50	Owned a contract (f
Chula Vista Center	Chula Vista	-1929	1962	201,500	Owned :: (a)
Buena Ventura Plaza (//)	Ventura	1952	1963	157,500	1994/2060
Topanga Plaza	Canoga Park	1954	1964	170,000	Owned transit
Century City	Los Angeles	1956	1964	234,000	1995/2055
Stonewood Shopping Center	Downey	1937	1965	160,000	Owned-2051(2)
Huntington Center	Huntington Beach	1,1957	1965	160,000 (1:)	-1996/2064iii
Inland Center ( 1.3.10) - bento ()	San Bernardino	1962	1966	150,0002	Owned strictles.
Valley Plaza	Bakersfield	1964	1967	150,000	1998/2065 Vi
Fashion Island	Newport Beach	1966	1967	178,500	Owned-2003/2063(2)
Montclair Plaza 000 2000	Montclair	. Raci	1968	150,500	Owned
Fashion Valley SCARLOS Logwo	San Diego	0/01	1969	183,000	Owned-2005/2068(2)
Tyler Mall (C.1505-bsn vO.	Riverside,	1972	1970	163,000	2001/2045 novi
Mall of Orange South (EU)S	Orange	toret	1971	165,500	Owned-2007/2067(2)(1
Cerritos Center (2000000	Cerritos	1976	1971	183,000	2002/2062 (.iiiiiii
Northridge Fashion Center	Northridge	1973	1971	183,000	2002/2062
Plaza 040.1105	Los Angeles	0001	1973	262,000	2010/2070 msimis
Puente Hills : 124 (Ut all OS 1000)	City of Industry	1001	1974	161,500	2004/2067
Santa Anita by will	Arcadia	1,530	1974	197,500 3	2009/2038 ## 178
Laguna Hills CCCC("(x)C	Laguna Hills	1983	1975	165,000	2006/2050-2014/2072(3)
Fox Hills 100011005-benwC	Culver City	1801	1975	197,000	2005/2070V
Glendale Galleria	Glendale !	TROL	1976	191,000	Owned-2031/2051(2) *****
Hawthorne Plaza	Hawthorno.		97 1977	164,000 F	- 2007/2040 -inm's
Sherman Oaks Fashion Square	Sherman Oaks	N. J. JAV	1977	187,500	Owned
La Jolla	San Diego		1977	159,500	Owned
The Oaks	Thousand Oaks	1001	1978	162,000	_ Owned
Brea. benyo.	Brea	400	1978	154,500	2008/2041
Plaza Camino Real	Carlsbad	GOVI	1979	155,500	2011/2039
Pasadena Plaza	Pasadena	1967	1980	158,500	2010/2045
Santa Monica Place	Santa Monica	7061	1980	154,000	2012/2040
La Cienega	Los Angeles	eroi.	1982	162,500	2017/2027
Horton Plaza	San Diego	71.41	1985	135,000	2020/2060
North County Fair	Escondido	A IVI	1986	151,500	Owned-2022/2041(2)
South Coast Plaza	Costa Mesa		1986	206,500	2021/2051.
Paseo Nuevo -	Santa Barbara	The left with	1990	143,000	., Owned-2064(2)
Total Stores = 41	Total Gross Squ	are Foots	<b>20</b>	7,096,500	

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subsect to ground he conting in the years judicated. ... un i leune expiration duice, respectively.

Name	Location		Year Opened	Approximate Gross Square Footage	Lease Expiration Date(1)
The Broadway - Continue	Land chini daett	tuare for	mate gross sc	iv. alia ouznaa	
(Non-California Stores)	remains and the	.(Vinode	ed by the Con		all near and a second of the second of the second
Boulevard	Las Vegas, Nevada	h cast a	1966	11 147,000	Owned-2062(2)
Biltmore Fashion Park	Phoenix, Arizona		bojor1968	152,500	Owned-2000/2043(2)
Los Arcos	Scottsdale, Arizona		1969	165,500	Owned
Metrocenter	Phoenix, Arizona_	Year-	1973	161,000	2005/2070
Park Mall		tement).	1974	161,500	2005/2050
Coronado Center	Albuquerque, New	Carlot Carlot	1976	162,500	9 2006/2057
Meadows	Las Vegas, Nevada		1978	158,000	2008/2041
Fiesta Mall	Mesa, Arizona	1947	1979	137,900	2010/2040
Tucson Mall	Tucson, Arizona	2201-2	1982	137,500	Owned-2017/2076(2)
Westminster	Westminster, Color		1986	135,000	Owned ;
Paradise Valley	Paradisc Valley, Ar		1991	183,500	Owned
Total Stores = 11	Total Gross Squar	e Footage		1.701.900	4 Hale i mai all
Emporium		1961		1. 1. 1. 1.	i de la companie non en illi
Downtown In	San Francisco	ં ગળ	1896	428,700	Owned I LL
Oakland franci	Oakland '	1992	1929	380,400	Owned
Stonestown 10. 1001	San Francisco	1903 ·	1952	287,000	Owned / / / / in this
Walnut Creeks wo	Walnut Creek	1964	1954	187,000	2005/2035
-Stanford (40) 2000	Palo Alto	. 1964	1956	231,000	Owned-2004/2053(2)
Valley Pair: (12 hourse)	Santa Clara	5961	1957	259,000	Stone benwO
El Cerrito (02/30) F	El Cerrito.	1965	1957	237,500	Owned was attentil -
Hillsdale hanwil	San Mateo	1966	1962	(mii 220,500	Owned-2012/2061(2) Charling
Marin con (800)	San Rafael	tyei	1964	268,500	- 2012/2061-2012/2061(3)
Santa Rosa : (1005-hanwi)	Santa Rosa	1967	1966	1.5 213,500	2002/2062
Almaden	San Jose	8961	1968	216,500	2015/2064 Jini. !
Mt. View \COOL hanger	Mt. View	1969	1970	207,000	Owned-2018/2067(2)
Northridge: FUX LIKE	Salinas (di	1970	1972	179,000	Owned-2071(2) 1: 151:1
Tenforen "MINGOL hanwa)	San Bruno	71.61	1972	199,500	2003/2063
Hilltop02150015	Richmond	1461	1976	203,500	2006/2066
Eastridge 00 2000	San Jose '!	1971	1978	180,000	2006/2046
Stoneridge 2000	Pleasanton	1973	1980	172,000	2012/2040
Sun Valley Out (X)	Concord	1074	1981	Vilant181,000	2006/2046-2014/2061(3)
Solano (1900)	Fairfield VI	1974	1983	150,000	Owned
Southland Mall/2-070\$1870\$	Hayward 1	1975	1983	- 711178,500 1	2007/2027
Vallco 7 2002	Cupertino'l	1975	1984	(181,000	Owned-2001/2061(2)
Newpark 105-ben aC	Newpark	1976	1987	182,000	Owned lari )
Total Stores = 22	Total Gross Square	Footage		4.943.100	· · · · · · · · · · · · · · · · · · ·
Weinstocks	ne, al	Trel.		rdatta in its le	one with the state of the state
Country Club Plaza	Sacramento	List	1961	162,500	Owned
Arden Fair	Sacramento	1978	1961	190,900	Owned
Stockton 201	Stockton	1978	1966	130,500	Owned-1997/2057(2)
Reno	Reno, Nevada	1979	1967	150,000	1998/2066
Florin (CC)	Sacramento	0891	1967	150,000	Owned "' ''
Freeno	Presno	(980)	1970	163,000 _	2006/2067
Sunrise	Sacramento	1005	1972	163,000	2003/2066
Modesto	Modesto	7361	1977	161,500	2007/2040
Downtown Plaza	Sacramento	1985	1979	163,900	2011/2039
Total Stores = 9	Total Gross Square			1.435.300	
Grand Total Stores = 83	Total Gross Square	Footage		15.176.800	
			inute knotally	4. & UT 14. TILL 1	in the fact that

Initial lease or current renewal option expiration date and, for stores with additional renewal periods, the final renewal option expiration date, respectively.

Owned building subject to ground lease expiring in the years indicated.

Building and ground lease expiration dates, respectively.

Other Facilities

and during the first of the contraction of

designation with those of its competitors.

The Company operates distribution facilities in Los Angeles and Oakland, California, and Tempe, Arizona. Information services and data processing support are centralized in a facility located in Anaheim, California. Credit card and accounts payable administrative functions are provided from an administrative center located in Tempe, Arizona. All other management; marketing and sales promotion, merchandising departments, and support functions are located at the Company's corporate offices in Los Angeles, California. collections of the description of the part of the contraction of the c

endones at a first and the first of the marketing continues in the first and a super terms and a super-Other Property Matters

As of April 16, 1993, 24 of the Company's stores were owned, 17 were owned subject to ground leases and 42 were leased. Three of these leased stores are subject to separate ground and improvement leases. As of April 16, 1993, the total annual base rent due under the store leases is approximately \$28.0 million. In addition to the base monthly rent, the Company is obligated under many of the leases, or under related agreements discussed below, for a portion of common area maintenance charges and real property taxes: Further, the Company is lessee under eleven other leases relating to various offices, distribution facilities, and parking facilities. As of April 16, 1993, the total annual base rent due under these additional leases is approximately \$2.0 million.

Since many of the Company's stores are located in regional shopping centers, the Company is also party to other agreements which are inextricably tied to the Company's ground or improvement leases or its ownership of the property. Anchor tenants such as the Company and shopping center developers commonly enter into eciprocal easement agreements which, among other things, establish certain operating covenants to which the anchor tenants are bound. In addition, individual anchor tenants often enter into separate agreements with the developers relating to, among other things, common area charges and operating covenants.

Some as the countries require a maintain monetary paymently equal to the lescoon articles.

the form of the state of the first of the fi Planning and Distribution Organization; Sales Promotion

In 1992, the Company established a planning and distribution department (the "P&D Department") to: improve the distribution of inventory to the Company's stores. The mission of the P&D Department is to direct appropriate merchandise distribution on a store-by-store basis, thereby customizing the merchandise assortment available in each store to match the community served. The P&D Department synthesizes demographic and market research along with current sales performance for each market served by the Company. This information is then passed on to the Company's buying organization, enabling the Company to better focus its merchandise offerings.

The Company's promotional programs utilize direct mailings to the Company's proprietary credit card customers, television and radio commercials and newspaper advertisements and circulars. As a result of the monsolidation of the Company's operating divisions, sales promotion programs in all of the markets served by the Company are directed by a consolidated sales promotion organization.

Management Information Systems

Management believes that the Company's information processing systems compare favorably to those of other major department store retailers, and that these systems have substantially improved the efficiency of the Company's operations. All facets of the Company's operations are linked by an integrated voice and data communication system. All of the Company's stores employ point of sale scanning. The Company's information systems provide computerized inventory tracking and control down to the SKU level and automatic inventory replenishment of selected items using computer generated purchase orders. in the ways and follows: (The this new date is included in all per od, through an east 4, 1990):

### Proprietary Credit Card Operations

Customers may purchase merchandise at any of the Company's stores for cash, with certain common third-party credit or charge cards, or on credit in accordance with revolving credit account terms provided by the Company through its own proprietary credit card operations. Management believes that the Company's proprietary credit card programs enjoy a high degree of penetration in the marketplace. In addition to providing a source of credit customers may use to make purchases at Company stores, these programs generate a significant body of marketing data about the Company's customers. Through the use of the Company's advanced information management system, the Company is able to use this marketing information to better focus its sales promotion activities.

In recent years, the Company's proprietary credit card sales have declined while third-party credit and charge card sales have been increasing. The Company recognizes that lower interest rates charged by competing third-party credit cards may have an adverse impact on the Company's proprietary credit card charge volume and finance charge revenues. The Company continually evaluates the effectiveness of various credit-promotion programs to maximize proprietary credit card sales volume consistent with the Company's credit standards. For example, the Company has developed a preferred proprietary credit card which the Company is offering to 450,000 of the Company's best proprietary credit card customers. Under this preferred credit card program, customers are offered special incentives designed to stimulate proprietary credit card purchases.

Revolving proprietary credit card accounts are assessed a monthly finance charge on balances outstanding more than 30 days. The Company's Broadway, Emporium and Weinstocks stores each offer their respective customers short- and long-term revolving charge accounts. The specific terms of the charge account agreements vary among the three chains. Short-term revolving charge account terms require customers to make minimum monthly payments generally equal to 10 percent of the balance with a minimum payment of \$15. Long-term revolving charge account terms require a minimum monthly payment generally equal to five percent of the balance at the time of the last purchase with a minimum payment of \$20. The Company considers its payment terms to be comparable with those of its competitors.

For the period August 1988 through January 1993, proprietary credit card sales accounted for an average of approximately 55 percent of total sales. Changes in the Company's credit policy announced in July 1988 lowered the required minimum monthly payment and made it easier to purchase big-ticket items. As of January 30, 1993, short-term revolving proprietary credit card charge accounts comprised approximately 85 percent and long-term revolving proprietary credit card charge accounts comprised approximately 15 percent of total customer receivables. The following tables reflect selected credit operations data:

As of

ta and February I, 1992 mes resilege unicosoria notimero 3.660,000 of the 146 for the 157, 257, and the configuration of the series of the configuration of

Customer receivables are generally written-off when the aggregate of payments made in the last six months is less than one full scheduled monthly payment, or when it is otherwise determined that the account is uncollectible. Proprietary credit card sales, net write-offs with respect thereto, and customer receivable balances for the periods indicated were as follows (Thalhimers' data is included in all periods through August 4, 1990):

	Credit S	ales	Net Wr	ite-Offs	
attended to the state of the st			actually a	% of	· Total
on the second of the state of the second of	12 150 150	Gross	13 to h 15 t	Credit	Customer
Fiscal Year Ended		Sales(1)	Amount	Sales	Receivables
destroyed and state of the property of the pro	1 m.1.105.	(dollar	mounts in the	usands)	
in the first our state of the consider in the consider in	भारत्यात्रम्		$1 \cdot 1 \cdot 1$		
January 30, 1993 \$ 1,2		52.3%	\$36,687	3.0%	\$580,542
	252,843	53.8	38,503	3.1	598,562
February 2, 1991 (26 weeks ended)	312,424	56.3	17,719	2.2	673,478
August 4, 1990		<b>- 57.3</b>	38,987	2.2	709,167
T. 1. 20 1090	172 136	≥ 58.5	24,140	1.4_	698,621
July 30, 1988	509,692	53.2	18,395	1:2	436,868
the first of the second of the	in special	2 35 11 7 2 20	15.00 W	harande i	in a copy.

(1) Proprietary credit card sales as a percent of total sales inclusive of related sales tax receipts.

Seasonal customer purchasing in November and December produces an increase in credit purchases. As a result, customer receivable balances outstanding and the number of accounts with unpaid balances normally reach their highest levels in the months of December and January.

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The deteriorating general economic conditions in the Company's principal markets, including a significant increase in personal bankruptcies, have adversely affected the Company's net write-off experience during the last two years.

### Competition

The retail industry, in general, and the retail department store business, in particular, are intensely competitive with respect to the purchase and sale of merchandise and the acquisition of desirable store locations. Significant competitors of the Company include Robinsons-May, Bullock's, Macy's, Nordstrom, Mervyn's, J.C. Penney, Dillards and Gottschalks, though not all of these other competitors have stores in each market in which the Company competes. Each store competes not only with other traditional department stores, but also with specialty stores, discount stores, off-price retailers and numerous other types of local retail outlets selling apparel and accessories, electronics, furniture, and home rurnishings. Many factors enter into the competition for consumers' patronage, including service, price, quality, style, product mix, convenience and credit availability. Each of the Company's stores has at least one department store competitor nearby.

### Change in Fiscal Year

Effective as of February 2, 1991, the Company changed its fiscal year end from the Saturday closest to July 31 to the Saturday closest to January 31. This change reflects the natural cycle of the Company's business and facilitates comparisons between the Company and other major retailers, most of which have similar fiscal periods.

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which had been the countries of the coun

### Purchasing

The Company purchases merchandise from many suppliers, no one of which accounted for more than 5% of the Company's net purchases during 1992. The Company has no long-term purchase commitments or arrangements with any of its suppliers, and believes that it is not dependent on any one supplier. The Company considers its relations with its suppliers to be satisfactory.

Service Marks

The service marks "The Broadway," "The Broadway-Southwest," "The Emporium," "Emporium Capwell" and "Weinstocks" have been registered with the United States Patent and Trademark Office. The Company also has rights to several other marks. The Company also uses several trademarks and service marks in connection with certain of its private-label brand merchandise. Except for the aforementioned service marks as applied to the retail merchandising of goods and services, the Company does not believe that there are any patents, licenses, trademarks and service marks that are material to its business.

\* 1,232,845

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Seasonality

The department store business is seasonal in nature with a high proportion of sales and earnings generated in November and December. Working capital requirements fluctuate during the year, increasing somewhat in mid-Summer in anticipation of the Fall merchandising season and increasing substantially prior to the holiday season when the Company must carry significantly higher inventory levels.

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As of January 30, 1993, the Company employed approximately 23,000 persons, of whom approximately 12,000 are employed on a full-time basis, subject to seasonal increases in the number of sales associates during the holiday season. The Company has union contracts covering approximately three and one-half percent of the employees of the Company, primarily in two Emporium stores located in San Francisco. The Company believes that it has good relations with its employees.

### Capital Expenditures

Because of the financial constraints on the Company that resulted in the Filing and which continued throughout the 52-week period ended January 30, 1993, capital expenditures were constrained. Capital expenditures for the 52-week period ended January 30, 1993 were \$38.2 million, compared to capital expenditures of \$34.9 million for the 52-week period ended February 1, 1992, \$38.0 million in the twenty-six week period ended February 2, 1991 ("Transition Period"), and \$83.2 million for the 53-week period ended August 4, 1990. The Company has budgeted \$55.0 million for capital expenditures in fiscal year 1993.

During the Chapter 11 proceedings, a \$50,000,000 store modernization loan facility, to be funded by Zell/Chilmark, was established. The Company ultimately decided, however, that the store modernization program should be postponed until the Company's new business strategy was more clearly defined. As a result, no funds were drawn under that facility. In lieu thereof, Zell/Chilmark agreed to provide an equity infusion of \$50,000,000, in exchange for which it would receive 5,000,000 shares of Common Stock. On the Emergence Date, Zell/Chilmark assigned its right to purchase 2,500,000 of such shares to First Plaza. The Company used the proceeds of this additional equity for working capital and other operating needs. Store modernization is a priority for the Company and Management is in the process of formulating a capital expenditure program for store modernization in conjunction with its new business strategy. See "Business Strategy."

### Additional Information

No material part of the Company's business is dependent upon a single customer or a few customers. During the current year, the Company had no single retail customer or affiliated group of retail customers to whom sales were made in an amount which accounted for 10 percent or more of the Company's revenues for such period. As is customary in the department store industry, the Company, in general, has a liberal return policy for customers. Backlog is not a significant part, and research and development activities are not material aspects, of the Company's business. The Company has no material contracts with the United States government.

### EXECUTIVE OFFICERS OF THE COMPANY

The following is a list of names and ages of all of the current executive officers of the Company indicating all positions and offices with the Company held by each such person, each such person's principal occupations or employment during the past five years, and the expiration of each such person's term of office.

			Term
Name viike	Age	Office bear their women were about a	Expiration(1)
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David L. Dworkin	49	President, Chief the least bearing the contract to the contrac	
		Executive Officer and Director	March 23, 1996
Edwin J. Holman	46	Vice Chairman and	
First in the second		Chief Operating Officer	July 20, 1995
Robert A. Dourian	61	Executive Vice President	. July 20, 1995
Larry G. Petersen	the state of the s	Executive Vice President,	
		Chief Financial Officer	. July 20, 1995
Brian L. Fleming	49	Senior Vice President,	
	J. X	Accounting and Taxes	. July 20, 1995
Marc E. Bercoon	32	General Counsel and	
	4 (1966)	그렇게 하는 경기가 되고 있습니다. 그렇게 되었다면 가장 생각하는 것이 되었습니다. 그는 그가 하는 것이 없는 것이 없는데 그렇게 되었습니다.	The second of th
periodical contraction of the co	don't	Corporate Secretary	

(1) The Company has entered into employment contracts with those individuals with term expirations indicated.

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(2) Marc Bercoon serves at the pleasure of the Board of Directors....

David L. Dworkin joined the Company as its President and Chief Executive Officer on March 24, 1993. He also became a Director at that time. Prior to joining the Company, he served as Chairman and Chief Executive Officer of British Home Stores, a division of Storehouse PLC, a London, England based retailer, from November 1989 until July 1992, and as Group Chief Executive of Storehouse PLC from July 1992 until joining the Company in March of 1993. He has in excess of 25 years experience in the retail industry, including service as President and Chief Executive Officer of Bonwit Teller, President and Chief Operating Officer of Neiman Marcus, and Executive Vice President of Marshall Fields, a division of Dayton Hudson.

Edwin J. Holman was appointed Vice Chairman and Chief Operating Officer of the Company in April 1993. From January 1991 to April 1993, he served as Executive Vice President-Operations of the Company. From 1985 to January 1991, he served as Senior Vice President, Operations of the Company:

Robert A. Dourian was appointed Executive Vice President-Human Resources of the Company in August 1990. From 1986 to August 1990, he was Executive Vice President, Personnel of The Broadway-Southern California division of the Company.

Larry G. Petersen was appointed Executive Vice President and Chief Financial Officer of the Company in March 1992. From October 1987 to March 1992, he served as Senior Vice President, Planning of the Company.

Prior to that time, he served as Vice President, Planning.

Brian L. Fleming was appointed Senior Vice President, Accounting and Taxes of the Company in October 1987. Prior to that time, he served as Vice President, Accounting.

-Marc E. Bercoon has served as General Counsel and Secretary of the Company since February 9, 1993. He served as Legal Counsel and Assistant to the Vice Chairman of the Company from October 1992 to February 1993. From January 1990 to October 1992, he was Vice President and General Counsel of Equity Properties and Development Company, a division of Equity Property Management Corp. From July, 1987 to January 1990, he

was in private practice as a corporate and real estate attorney at the firm of Rosenberg and Liebentritt, P.C., a Chicago-based law firm. Prior to that time, he was a real estate attorney at Katten, Muchin & Zavis, a Chicago-based national law firm.

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### ITEM 2. PROPERTIES

The Company conducts operations in leased or owned retail stores, clearance centers, distribution centers, offices, and other facilities. Leases are generally for periods of up to 30 years, with renewal options for substantial periods. Such leases are generally at fixed rental rates, except that certain leases provide for additional rental payments based on sales in excess of predetermined levels.

At April 16, 1993, the square footage used in the Company's operations was as follows:

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			Property 1	(5)					1	10	1616			Su	bject t	0			2.4 104 5.4 8			
								11 7 7 7 3		1	No. 10, 104 1			Service Contract		2. TAN 10 1 N	A PROVIDE		The second second		S. S. See B. B.	
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Thirty-one of the Company's stores and the Company's corporate headquarters, offices and distribution center are encumbered by deeds of trust in favor of Prudential, the largest of the Company's secured creditors. An additional nine of the Company's stores are encumbered by deeds of trust in favor of BofA as agent for the Banks under the Company's loan agreement with the Banks. Two other stores and two non-store facilities are encumbered under individual mortgage agreements with other lenders.

For additional information related to the Company's properties, see "Company Operations -- Properties" under Item 1.

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## ITEM 3. LEGAL PROCEEDINGS

### Chapter 11 Proceedings; Unresolved Claims

A discussion of the events surrounding the Company's bankruptcy filing and an explanation of the material terms of the Company's reorganization under the POR is set forth in the section entitled "Recent Company History -- Recapitalization" under Item 1. None of the Company's subsidiaries filed petitions for relief under the Bankruptcy Code. Notwithstanding the confirmation and effectiveness of the POR, the Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Company and to resolve other matters that may arise in connection with or relate to the POR.

The terms of the POR call for the Company to distribute .046 shares of New Common Stock for each \$1.00 of allowed general unsecured claims. The POR estimated the total amount of such claims to be approximately \$600.0 million, against which the Company reserved 27.6 million shares of Common Stock. As of January 30, 1993, approximately \$90.0 million of disputed claims remain outstanding and 2.3 million shares of Common Stock remain reserved for issuance. Management believes that the remaining reserved shares of Common Stock will be sufficient to meet the Company's obligations to such claim holders. If each disputed claim were allowed in full, however, such disputed claim holders would be entitled to 4.1 million shares of Common Stock in the aggregate, compared to the 2.3 million shares reserved, resulting in a dilution of the Common Stock holdings of the existing stockholders by approximately 5%.

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Other Legal Proceedings

The Company is involved in various other legal proceedings incidental to the normal course of business. Management does not expect that any of such other proceedings will have a material adverse effect on the Company's financial position or results of operations.

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### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

#### PART II

# ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) Information with respect to the principal market on which the Company's Common Stock is traded and the range of high and low closing market prices for the following periods during the past two fiscal years and the 11-week period ended April 17, 1993 are set forth in the table below:

## CLOSING MARKET PRICE RANGES OF COMMON STOCK

Common Stock	next.:	Hig	# 15.13		in the sector.
11 weeks ended April 17, 1993		\$12 3		<u>Lo</u> * <b>\$</b> 9	
13 weeks ended January 30, 1993	(45,240) (40,000)	(εθ. () 20 21 1 <b>10</b> 3	/8 (E) (E)	6	
4 weeks ended October 31, 1992		7 1/	A 40.4	5 7	//8
Old Common Stock	(86,7-9) (200,7-1)	(170,002)	(9, 800)		ngar ing see ing s na Allina e Inggrego di
9 weeks ended October 3, 1992	• • • • • • • • • • • • • • • • • • • •	(£00, CV I) 1 1/	2 553.622	1	Constitution of the second
13 weeks ended August 1, 1992		1 7/	8		/4 at via love the
13 weeks ended May 2, 1992	(37,010)	(3)27, (3)57	323,720 8		/2
13 weeks ended November 2, 1991 13 weeks ended August 3, 1991		- 2 3/	8	1 1 1 1	
13 weeks ended August 3, 1991	V110: V.	2	\$38,242	1	ever nonce latins 7.
13 weeks ended May 4, 1991	21.8.16	ni: 52 2 1/2	2 v. z. sr	1 1	/8 (1911) - 1054]

Price data stated for the 11 weeks ended April 17, 1993, the 13 weeks ended January 30, 1993 and the 4 weeks ended October 31, 1992 is for the Company's Common Stock issued in connection with the Company's emergence from bankruptcy pursuant to the POR and is not comparable with price data for periods ended on or before October 3, 1992, which is for the Company's Old Common Stock. See "Recent Company History — Recapitalization" under Item 1.

The New York Stock Exchange is the principal market on which the Company's Common Stock is traded.

- (b) There were 18,396 holders of record of shares of Common Stock of the Company as of April 16,
- (c) The Company did not declare dividends during the 52-week period ended January 30, 1993 or the 52-week period ended February 1, 1992. In addition, the Company's credit agreement with GE Capital (the "GE Credit Agreement") and the Company's settlement agreement with BofA, as agent for the Banks (the "BOA Settlement Agreement") prohibit the Company from paying dividends to stockholders.

SELECTED FINANCIAL DATA

A five-year summary of certain financial information about the Company is presented in the following table.

FIVE YEAR FINANCIAL SUMMARY

	Period Ended					
Dollar amounts in thousands)	January 30, 1993 (52 weeks)	February 1, 1992 (52 weeks)	February 2, 1991 <sup>(1)</sup> (26 weeks)	August 4, 1990 (53 weeks)	July 29, 1989 (52 weeks)	July 30, 1988 (52 weeks)
Earnings Data		11 (75)	A-12 -			
Sales	\$2,137,847	\$2,127,917	\$1,318,565	\$2,857,819	\$2,787,393	\$2,617,143
Percent increase (decrease)	, , , , , , , , , , , , , , , , , , , ,	" on tolder	President.	544 5 11 2 24	33	
from prior year	0.5%	(9.4%) <sup>(2)</sup>	· (4.5%) <sup>(3)</sup>	2.5%	6.5%	0.7%(4)
Finance charge revenue	82,642	93,992	49,262	125,036	94,888	65,350
Cost of goods sold, including						
	1,576,952	1,581,144		2,085,344	2,001,188	1,879,664
Selling, general, and	minut or feeling	14. 85 THE	ાં મુખ્યત્વે છે. તેમના	iti i mili mul	felta (1997)	
administrative expenses	572,637	570,512	341,503 B	QQ! 742,616 A	1. 702,329	653,219
Provision for consolidation						
programs	W. C	A CONTRACTOR OF THE PARTY OF TH	47,000	763.17		
Gain on sale of Thalhimers		30 12 C	(30,000)	=	30 5 3 5 5 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
Other (income) expense (5)		733.343 TV		4,831	6,000	(1,500)
Interest expense, net	89,808	102,288	71,046	161,534	160,344	135,600
Earnings (loss) from continuing						de la final de la
operations before reorganiza-		C.FT			CI live V	
tion costs and income taxes	(18,908)	(32,035)	(46,740)	(11,470)	12,420	15,510
Reorganization income (costs)	884,131	(138,057)	(40,000)		180	
Pretax earnings (loss) from		$\epsilon v$		S. W. Contract	gas of the Milara.	
continuing operations	865,223	(170,092)	(86,740)	(11,470)	12,420	15,510
Income tax benefit (expense)	-(9,800)		13,200	2,000	(5,000)	(6,200)
Earnings (loss) from						
continuing operations	855,423	(170,092)	(73,540) -	(9,470)	7,420	9,310
Extraordinary income (costs)					Υ	
and changes in accounting(6)	323,220	(46,894)	1 (14,070)	(16,500)	6,050	8,350
Net earnings (loss)	\$1,178,643	\$ (216,986)	\$ (87,610)	\$ (25,970)	s. \$ 13,470	\$ 17,660
Other Data						
Capital expenditures	\$38,242	\$ 34,850	\$ 37,989	\$ 83,220	\$ 75,849	\$ 80,205
Depreciation and						
amortization	38,540	43,636	21,836	50,995	52,956	51.829
Period End Data (*) 1) variation (*)	day to the		Laga Labor		, f <sub>0,11</sub> ,	
Working capital	701 A78	628,270	978,082	843,414	873,307	573,058
Total assets	1,912,902	1,667,662	1,755,421	2,045,194	1,988,365	1,671,622
Liabilities subject to settlement under						
reorganization proceedings		105 1598,321	598,650	v	Y. V. C.	
Receivables based financing	467,577	489,254	633,798	678,646	652,432	351,000
Other long-term debt and						
capital lease obligations	15.443.563,216,15;	508,429	515,290	939,797	956,665	909,416
Common stock and other					λ	
shareholders' equity (deficit)	374,761	. (508,476)	(272,627)	(193,820)	(211,617)	,_(230,191)
Common shares outstanding	to with Endering				7/7.	
(in thousands)	35,200 <sup>m</sup>	30,349	30,369	29,848	23,060	22,592
Number of stores	83	- 88	89	115	114	

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- (1) Effective as of February 2, 1991, the Company changed its fiscal year end from the Saturday closest to July 31 of each year to the Saturday closest to January 31 of each year.
- (2) Sales decreased on a comparative 12 month basis excluding the 1990 sales of Thalhimers, which was sold.
- (3) Sales decreased on a comparative six month basis, excluding sales for the comparable period for Thalhimers, which was sold.
- (4) Sales increased on a comparative 12 month basis, excluding the 1987 period sales of John Wanamaker and two stores of The Broadway-Southwest, which were sold.
- Includes gains on asset sales of \$7.3 million in 1990 and \$30.0 million in 1988, costs of the buying office closure of \$12.1 million in 1990 and \$6.0 million in 1989, and costs of operational and facility realignment programs of \$28.5 million in 1988.
- Includes gain on debt discharge of \$304.4 million in 1992, a charge for a change in accounting for post-retirement medical benefits of \$30.0 million in 1991, an extraordinary charge of \$16.5 million in 1990 for the uninsured loss associated with the October 1989 San Francisco earthquake, and income for changes in accounting for income taxes of \$18.8 million in 1992 and \$15.3 million in 1989, and for capitalization of certain inventory costs of \$10.1 million in 1988, and costs relating to early retirements of debt of \$16.9 million in 1991, \$14.1 million in the Transition Period ended February 2, 1991, \$9.2 million in 1989, and \$1.7 million in 1988.
- Includes all shares of Common Stock expected to be issued in accordance with the POR. As of January 30, 1993, 32.7 million shares had been issued and were outstanding in accordance with the POR.

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includes all shock ourse noing includes all shores issuable pursuant to the POR.

Consider the foot manufactures as a search pursuant to the POR, and exclides 3.9 maliful shares for a control of the foother than 1.5 million there are fully that a supplied the Stores, her 1992 stock the control of the foother than 1.5 million that are fully entired by 1.1 contribution to the Company's 404(k) favings and Investment Plan, and 2.3 million share recall for junctures by warrantholders.

The following table sets forth the capitalization of the Company and its consolidated subsidiaries at January 30, 1993 (dollar amounts in thousands):

LONG-TERM SENIOR DEBT		_
Receivables Based Financing (1)	consist on a companition of an infa basis exclude a	The second secon
사용하는 사람들은 사용하는 경기가 없는 사람들은 생각하는 사람들이 가지 않는 것이 없는 것이 없는 것이 없다.		
Secured Debt	alger dinora, sie es in augures du la bertal	
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그는 사람이 아니라 하는 것이 있는데 이번 나는 사람들이 가는 그것도 하면서 되었다. 그런 그리고 있는데 그리고 있는데 그리고 있는데 그렇게 하는데 그렇게 되었다.	2 (2) is a start sinjew, were three-terrorisms in 1. to a	
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Total long-term portion of sec	ured debt	515,658
-jsou r.v	the condition of AOSE he agreed with the or our	
TOTAL LONG-TERM SENIOR	DEBT (1921. mingolding O.D. V. L	(17): 983,235
CAPITAL LEASE OBLIGATIONS (ex	xcluding current maturities of	47,558
SHAREHOLDERS' EQUITY	1991, Slotel avillion in the Teamer von trade in	
- Preferred Stock 25 million \$.01 pa	에 가는 아들에 가는 사람이 아이는 이 얼마를 하는 것이다. 그는 것이 나는 사람들은 아들이 아들이 아들이 얼마를 하는데 하는데 그렇게 되었다면 그렇게 그렇게 되었다면 그렇게 그렇게 되었다면 그렇게	
HOUSEN, INC. (1971년 - 1971년 1일에 대한 시대를 하면 이렇게 되었다.) HOUSEN (1971년 1일 HOUSEN) HOUSEN (1971년 1일 HOUSEN)		- 11
나는 내는 그렇게 살아보는 살이 살아가는 그들은 사람들이 되었다면 하는 그 그 그렇게 되었다. 그런 얼마나는 그는 말이 그리고 내려가 되었다면 가장이 그렇게 되었다.	r value shares authorized; a normano') to amon its	
이 이 무슨 것은 사람들이 집에 보고 하면 되어 보고 있다. 이 그 전쟁이 되었다고 하는 것이 되었다. 그 사람들이 되었다.	O. 1933, 32 Tanillion observe inselement in (*).	
Other Paid-in Capital		351,678
그래마 가장에 다른 아이들은 아이라 하셨다면서 있네 가장 보고 있습니다. 이 것은 사람들은 하는 사람들은 사람들이 되었다.		22,720
TOTAL SHAREHOLDERS' I	보보 있다. 그리고 보고 그리고 하는데 이번 경상 상품이 있는데 이 중에 사이를 가지 않는데 하는데 되었습니다. 그리고 하는데 하는데 이 경우를 하는데 하다 했다.	374,761
TOTAL CAPITALIZATION		\$ 1,405,554

- (1) The Company funds its credit card activities through the Receivables Securitization Facility which provides for Blue Hawk Funding Corporation, a special purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and to pay for these interests through the issuance of up to \$575.0 million in commercial paper. The securitization program is currently scheduled to mature on October 8, 1995.
- (2) Until October 8, 1994, the pay rate on these notes will be 7.5%. Interest representing the difference between the lower pay rate and the blended contract rate (10.67%) for this period will be capitalized into the Accrued Interest Note due 1997-2002.
- (3) Preferred Stock outstanding includes all shares issuable pursuant to the POR.
- (4) Common Stock outstanding includes all shares issuable pursuant to the POR, and excludes 3.9 million shares reserved under the Carter Hawley Hale Stores, Inc. 1992 Stock Intentive Plan, 1.5 million shares reserved for purchase by and contribution to the Company's 401(k) Savings and Investment Plan, and 2.5 million shares reserved for purchase by warrantholders.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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The discussion of results of operations that follows is based upon the Company's consolidated financial statements set forth on pages 33-56. The discussion of liquidity and capital resources is based upon the Company's current financial position. The accompanying financial review reflects the significant impact of the events leading up to and following the Company's emergence from bankruptcy. Certain information regarding the Chapter 11 proceedings and the POR is set forth in "Recent Company History-Recapitalization" under Item 1.

Upon the Company's emergence from bankruptcy, the Company adopted the principles of fresh-start reporting as of October 3, 1992 (the "Effective Date") to reflect the impact of the reorganization. The 52-week period ended January 30, 1993 is thus comprised of the 35 weeks ended October 3, 1992 (the "Pre-reorganization Period") and the 17 weeks ended January 30, 1993 (the "Post-reorganization Period"). As a result of the application of fresh-start reporting, the financial condition and results of operation of the Company for dates and periods subsequent to the Effective Date are not necessarily comparable to those prior to the Effective Date.

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Recent Developments and Outlook

The Company's results of operations and financial condition reflect the impact of the recapitalization and the consolidation of operations.

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The Company has significantly restructured its secured debt obligations. The Company has extended the maturities and adjusted the prospective interest and principal payment terms for such debt, converted \$600.0 million of unsecured debt obligations to equity, obtained a \$50.0 million equity infusion, negotiated significant reductions in its equipment and real estate lease payments, and entered into a three-year working capital and receivables financing facilities.

In addition, over the past three years the Company has put in place a series of programs to reduce its expense structure. These programs resulted in the consolidation of the Company's four separate divisions into one operating unit and the elimination of certain redundant costs, the consolidation of the Company's private-label credit card and accounts payable operations into a single location, the downsizing of the Anaheim, California data processing facility, and the closing of under-performing stores and other facilities. See "Recent Company History-Consolidation of Operations" under Item 1.

Management believes that the recapitalization and the specific steps it has taken to streamline the Company's business operations during the past three years have yielded a significant improvement in the operating and financial profile of the Company. The restructuring of the Company's debt obligations has significantly reduced interest expense and enhanced financial flexibility. As a result of the consolidation program, the Company has significantly reduced the fixed cost elements of cost of sales and SG&A, which reductions have been largely offset by recent declines in sales and gross margin dollars and increases in sales promotion, direct selling costs and increased markdowns taken in response to competitive and economic factors.

Although there can be no assurance as to future economic conditions, Management believes that the Company is now well-positioned to leverage this reduced cost base to enhance future profitability as economic conditions improve in its major markets. Management also believes that additional gains may be realized through further reduction of expenses and refinement of the Company's business operations. In addition, Management plans to embark on a program to modernize the Company's stores with the goal of increasing sales productivity. To this end, Management is in the process of formulating and refining specific business strategies. See "Business Strategy" under Item 1.

Results Of Operations

Overview. The Company changed its fiscal year end in 1991 and emerged from bankruptcy in 1992, leading to another fiscal period end as a result of fresh-stary accounting at the Effective Date. Consequently, the last four fiscal "years" of the Company consist of a 26-week transition period ended February 2, 1991, a 52-week period ended February 1, 1992, a 35-week period ended October 3, 1992 and a 17-week period ended January 30, 1993. There are inherent difficulties in comparing such periods. The information below is presented to facilitate period-to-period comparisons. The following table summarizes results-for certain periods within the thirty six months ended January 30, 1993 (in millions of dollars):

	January	February	January .	"Pebniary	February
Period end date	30, 1993	1.1992	30, 1993	1. 1992	2. 1991
Number of weeks reported	17	1 01 1-17	52	52	52
	(Pro Forms)	67.7 34-131 5 3.71			
Sales	\$ 889.8	\$ 859.6	\$2,137.8	\$2,127.9	\$2,532.7
Finance Charge Revenue	27.3	30,7	82.7	94.0	110.7
Cost of Goods Sold		radius.			
Cost of merchandise and other	571.1	548.2	1,374.5	1,358.9	1,647.2
Buying and occupancy costs	84,6(1)	88.7	202.5	222.2	237.2
Total cost of goods sold	655.7	636.9	1.577.0	1.581.1	1.885
Selling, General and Adminis-					
trative costs ("SG&A")	all a mayeana	himmeral back	Chatch 1,3 a		
Sales promotion	48.3	45.3	123.2	107.4	124,6
Selling payroll.	70.3	69.1	195.5	190 5	246 9
_ Other	91.4	97.9	253.9	272.6	310_1
"Total SG&A	210.0	212.3	572.6	570.5	681.6
Other Costs, Net		ni o m e referin			17.6
Operating earnings before	entil a contra by	હાલિક ક્લિક હરોલઇ.	u.tral it	Sr To	
interest and taxes ("EBIT")	<u>\$ 51.4</u>	<u>\$</u> 41.1	\$ 70.2	<u>\$ 70.3</u>	<u> 5 59 1</u>

Reported cost of goods sold for the period ended January 30, 1993 was \$638.2 million and Reported EBIT was 108.9 million.

Consistent with the Company's accounting practices for interim periods, the pro forms column reflects the allocation of certain fixed buying and occupancy costs among periods within the fiscal year to match these costs with the associated seasonal sales revenue.

As a result of the application of fresh-start reporting effective October 3, 1992, the historical financial statements reflect the exclusion of \$17.5 million of such costs.

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The following table summarizes results for the same periods as a percentage of sales:

Period end date 1992		February 1. 1992	l'cbruary 2. 1991
Number of weeks reported 17		52	52
(Pro Forms)	1, 12, 11, 11, 17, 17		
Sales "100.0%" 100.0%" 100.0%		100.0%	100.0%
Finance Charge Revenue 3.1 3.6	3.9	4.4	4.3
Cost of Goods Sold			
Cost of merchandise and other 64.2 63.8	64.3	63.9	65.0
Buying and occupancy costs 10.3	9.5	10.4	2.4
Total cost of goods sold 73.7	73.8	74.3	74.4
SG&A	. วายอาการการการการการการการการการการการการการ		
Sales promotion 5.3	(10) -dt 5.80 '00'	5.0	4.9
Selling payroll 7.9 10 10 10 10 10 10 10 10 10 10 10 10 10	31''' g.1	9.0	9.8
Other	11.9	12.8	12.2
Total SG&A 23.6 24.7	26.8	26.8	28.9
Other Costs Net			7
EBIT 5.8% 4.89	3,3%	3.3%	235

17-Week period Ended January 30, 1993. Sales increased 3.5% to \$889.8 million in the Post-reorganization Period from \$859.6 million in the comparable prior year 17-week period ended February 1, 1992. On a comparative store basis, the sales increase was also 3.5%. For the 13-week period ended January 30, 1993, comparative store sales increased 5.5 percent over the same period last year, reflecting a generally strong holiday selling season and positive responses to the Company's sales and credit promotional activities.

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Pro forma EBIT increased to \$51.4 million, 5.8 percent of sales, in the Post-reorganization Period from \$41.1 million, 4.8 percent of sales, in the comparable prior-year period. Pro forma EBIT reflects the reversal of the cost-of-goods-sold adjustment described in note 1 to the table above. The improvement reflects the increased sales base and the realization of the benefits of cost reduction programs. Reported EBIT increased to \$68.9 million, 7.7 percent of sales, in the Post-reorganization period.

Pro forma cost of goods sold decreased to 73.7 percent of sales, \$655.7 million, in the Post-reorganization Period from 74.1 percent, \$636.9 million, in the comparable prior year period. Cost of goods sold as a percentage of sales decreased .4% as a result of higher sales and lower buying and occupancy costs partially offset by lower merchandise gross margins due to competitive pressures. The LIFO credit of \$1.9 million for the Post-reorganization Period compares to a charge of \$3.2 million in the comparable prior-year period. Actual cost of goods sold increased \$1.3 million.

SG&A decreased to \$210.0 million, 23.6 percent of sales, in the Post-reorganization Period from \$212.3 million, 24.7 percent of sales, in the comparable prior year period. This decrease is comprised of a \$6.5 million decrease in Other SG&A primarily reflecting reduced fixed costs resulting from the Company's consolidation programs, partially offset by a \$4.2 million increase in sales promotion and selling expenses in response to competitive pressures during the holiday period.

\$30.7 million, 3.6 percent of sales, in the comparable prior-year period, reflecting the conservative approach to credit purchases generally, including proprietary credit card purchases, taken by customers prior to the holiday season, and the continuation of the trends discussed under "Company Operations-Proprietary Credit Card Operations" in Item 1. In addition, during the past two years, including the Post-reorganization Period, the Company has experienced an accelerated collection rate on proprietary credit card credit accounts resulting in lower overall outstanding customer receivables.

Interest expense decreased to \$29.6 million in the Post-reorganization Period from \$32.1 million in the comparable prior-year period. This reduction is largely due to lower average interest rates.

Not carnings of \$22.7, million in the Post-reorganization Period are net of taxes at statutory rates and reflect an effective tax rate of 42.2 percent.

The seasonal nature of the retail business results in a significant portion of the earnings from operations for the year being generated in the 17-week period. Interim operating results are thus not necessarily indicative of earnings from operations that will be realized for a full fiscal year.

52-Week period Ended January 30, 1993 ("1992"). Although the adoption of fresh start reporting significantly affected comparability, certain Pre- and Post-reorganization Period income and expense elements remain comparable and are addressed in the following analysis of results of operations for the 52-week period ended January 30, 1993.

Sales for both the 52-week period ended January 30, 1993 and the prior fiscal year ended February 1, 1992 were \$2.1 billion. Sales growth during the first three quarters of 1992 was significantly limited by the weakness in the California economy from which approximately 90 percent of the Company's business is generated. On a comparative store basis, sales for 1992 increased 0.9 percent as compared to the prior year.

EBIT increased to \$70.9 million, 3.3 percent of sales, in 1992 from \$70.3 million, 3.3 percent of sales, in 1991. While EBIT was essentially unchanged, 1992 reflects the effect of overhead reductions resulting from the Company's consolidation programs substantially offset by increased promotional and selling expenses in response to current economic and competitive factors particularly during the first three quarters of 1992.

pairs of their delivery and the later of the state of the chains which

Cost of goods decreased to \$1,577.0 million, 73.8 percent of sales, in 1992 from \$1,581.1 million, 74.3 percent of sales, in 1991. The improvement reflects a 0.9 percent increase in gross margin representing the impact of reductions in fixed buying and occupancy costs partially offset by a 0.4 percent decline in gross margin resulting from lower purchase mark-up. The LIFO method of inventory accounting resulted in a charge of \$5.2 million in both periods.

SG&A increased to \$572.6 million in 1992 from \$570.5 million in 1991. However, as a percentage of sales, SG&A was 26.8 percent in both years. Although there was no net improvement in SG&A as a percent of sales, 1992 reflects a \$18.7 million decrease in other SG&A reflecting the impact on fixed costs of the Company's consolidation programs offset by a \$20.8 million increase in promotional expenses selling and support services in order to stimulate business in the difficult California retail environment.

Finance charge revenue decreased to \$82.7 million, 3.9 percent of sales, in 1992 from \$94.0 million, 4.4 percent of sales, in 1991. The reduction reflects the impact of lower levels of consumer confidence in the California economy manifested by a decrease in credit purchases and an acceleration in the paydown of outstanding credit card balances.

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Interest expense decreased from \$102.3 million in 1991 to \$89.8 million in 1992. This decline is largely due to lower average interest rates.

Net earnings of \$1,178.6 million in 1992 reflect reorganization and debt discharge related gains of \$1,188.5 million and a benefit of \$18.8 million from the adoption of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." The change in accounting reflects the elimination of existing deferred income taxes through the recognition of net operating loss carry forwards for which no benefit could be recognized under the previous accounting standard. The \$6.8 million tax benefit recognized in the Pre-reorganization Period reflects the reversal of existing tax reserves on the favorable resolution of income tax audits for tax years-through July 1990. The tax provision of \$16.6 million for the Post-reorganization Period reflects state and federal taxes at statutory rates on pre-tax earnings for that period.

52-Week period Ended February 1, 1992 ("1991"). Sales for 1991 decreased 16.0 percent to \$2.1 billion from \$2.5 billion for the comparable 52-week period ended February 2, 1991 ("1990"). The decrease was attributable to the disruption of inventory flows surrounding the Petition Date, the recessionary retail environment experienced in the Company's primary markets, and the sale of Thalhimers, whose sales were included in the sales data for the first six months of the comparative prior-year period. On a comparable store basis, sales for 1991 decreased 9.9 percent compared to the 52-week period ended February 2, 1991.

EBIT increased to \$70.3 million, 3.3 percent of sales, in 1991 from \$59.1 million, 3.3 percent of sales, in the comparable prior-year period. EBIT for 1991 was affected by the substantial reduction in the sales base. Fiscal 1990 EBIT includes a \$47.0 million charge for costs associated with certain functional consolidations and the consolidation of the administrative functions of the Company's Emporium and Weinstocks divisions. These charges were partially offset by a gain of \$30.0 million related to the November 1990 sale of Thalhimers.

Cost of goods sold decreased to \$1,581.1, 74.3 percent of sales, in 1991 from \$1,885.1 million, 74.4 percent of sales, in 1990. Although cost of goods sold as a percentage of sales remained relatively unchanged, 1991 reflects the impact of a \$19.7 million reduction in the LIFO charge and reductions in fixed buying and occupancy costs resulting from the sale of Thalhimers and the effects of cost reduction programs undertaken subsequent to October 1990.

SG&A decreased to \$570.5-million, 26.8 percent of sales, in 1991 from \$681.6 million, 26.9 percent of sales, in 1990. This decrease reflects the impact of the cost reduction programs initiated in 1990 and the sale of Thalhimers.

Finance charge revenue decreased from \$110.7 million, 4.3 percent of sales, in 1990 to \$94.0 million, 4.4 percent of sales, in 1991. This decrease principally resulted from reduced proprietary credit sales during 1991 and the yield on Thalhimers receivables during the first six months of 1990.

Interest expense decreased from \$145.0 million in the 52-week period ended February 2, 1991 to \$102.3 million in 1991. This reduction principally comprises interest expense and amortization of debt issue costs on \$350.0 million of subordinated debt, for which no interest was recognized subsequent to the Petition Date. As a result of the claims relating

to the subordinated debt being allowed pursuant to the provisions of the Bankruptcy Code, unamortized subordinated debt issue costs totaling \$9.7 million were charged to reorganization costs in the fourth quarter of 1991.

The net loss of \$217.0 million in 1991 includes a charge of \$138.1 million for reorganization costs comprised of a \$65,0 million provision for the consolidation of the Company into a single operating entity, a \$34.0 million charge for settlement of certain disputed pre-petition trade claims and valuation adjustments to reflect the effect of the Chapter 11 proceedings on the amounts to be realized for certain assets, a \$29.4 million charge for professional fees and other costs directly related to the proceedings, and a \$9.7 million charge to write-off unamortized debt issue costs related to the Company's subordinated debt. In addition, the net loss reflects an extraordinary net-of-tax charge of \$16.9 million on the early extinguishment of an interim receivables facility entered into as a result of the Filing and a net-of-tax charge of \$320.0 million resulting from a change in the method of accounting for post-retirement medical and other benefits as a result of the adoption of Statement of Financial Accounting Standards No. 106 "Employers Accounting for Post-retirement Benefits Other Than Pensions."

26-Week period Ended February 2, 1991 (the "Transition Period"). Effective as of February 2, 1991, the Company changed its fiscal year from the Saturday closest to July 31, to the Saturday closest to January 31. As a result, the results of operations for the Transition Period were separately reported.

Sales for the Transition Period decreased 19.8 percent to \$1.3 billion as compared to \$1.6 billion in the comparable prior-year period. The decrease was largely attributable to Thalhimers' sales included in the prior year. In addition, the prior-year period comprised 27 weeks compared with the 26 weeks included in the Transition Period. On a comparable store and period basis, Transition Period sales decreased 3.5 percent from the prior year's level, reflecting the impact of the generally weak retail environment and the disruption of inventory flows prior to the Petition Date.

EBIT decreased to \$24.3 million, 1.8 percent of sales, in the Transition Period from \$115.3 million, 7.0 percent of sales, in the comparable prior-year period. The Transition Period reflects the generally weak holiday sales performance, the absence of Thalhimers' results and a \$47.0 million charge for consolidation programs. The decreases were partially offset by the \$30.0 million gain on the sale of Thalhimers. The comparable prior-year period included a net charge of \$4.2 million relating to consolidation charges partially offset by gains on asset sales.

Cost of goods sold decreased to \$985.0 million, 74.7 percent of sales, in the Transition Period from \$1,185.2 million, 72.1 percent of sales, for the comparable prior-year period. This increase in cost of goods sold as a percentage of sales reflects a significant increase in markdowns in response to the generally weak economic conditions and a highly competitive retail environment during the 1990 fall season. The LIFO inventory method resulted in a charge of \$4.7 million in the Transition Period compared to \$2.0 million in the comparable prior-year period.

SG&A decreased to \$341.5 million, 25.9 percent of sales, in the Transition Period from \$402.6 million, 24.5 percent of sales, in the comparable prior-year period. This decrease reflects the sale of Thalhimers, the impact of cost reduction programs initiated in 1990, and the inclusion of an additional week in the comparable prior-year, period. The increase in SG&A as a percentage of sales principally reflects the impact of the lower sales base during the Transition Period.

Finance charge revenue decreased to \$49.3 million, 3.7 percent of sales, in the Transition Period from \$63.6 million, 3.9 percent of sales, in the comparable prior-year period. This decrease resulted from lower levels of credit sales in the Transition Period and the sale of Thalhimers in 1990.

Interest expense for the Transition Period decreased to \$71.0 million from \$87.6 million in the comparable prioryear period. The reduction reflects debt retirements directly related to the sale of Thalhimers, the effect of other reductions in borrowings, and generally lower interest rates.

The net loss of \$87.6 million in the Transition Period includes a charge of \$40.0 million for estimated costs associated with certain store and facility closings resulting from the Chapter 11 proceedings and an extraordinary charge of \$14.1 million resulting from the early extinguishment of debt. The \$13.2 million income tax benefit for the Transition Period was based on a 15.2 percent effective tax rate, reflecting limitations on the Company's ability to utilize net operating loss carryforwards.

### Liquidity and Capital Resources

The Chapter 11 proceedings significantly affected the Company's capital structure, liquidity and capital resources. As a result of the actions set forth below, Management believes that the Company's cash from operations, together with borrowings under the Company's existing credit facilities, will be sufficient to cover its reasonably foreseeable working capital, capital expenditure and debt service requirements.

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Recapitalization and Deferral of Principal Amortization. As a result of the consummation of the POR, \$600.0 million of subordinated debt and other liabilities were converted into square. In addition, \$451.8 million of secured debt and \$66.1 million of accrued interest was restructured to capitalize the accrued interest and defer principal amortization. In the case of the Prudential debt, cash interest payments through October 8, 1994 were reduced as well. The scheduled principal payments on secured debt for the next five years are \$4.1 million in 1993; \$4.4 million in 1994, \$6.7 million in 1995, \$5.6 million in 1996 and \$10.2 million in 1997. In addition, Management estimates that annual expenses under real estate and equipment leases were reduced by approximately \$15.0 million. The Company also received a \$50.0 million equity infusion. Concurrently with its emergence from bankruptcy, the Company obtained three-year working capital and accounts receivable financing facilities.

Credit Facilities. As of the Emergence Date, the existing debtor-in-possession working capital facility and the receivables based financing arrangement with Chemical Bank were replaced with three year facilities provided by GE Capital. Subject to collateral limitations, the new facilities provide for up to \$225.0 million in working capital financing and up to \$575.0 million to finance the Company's credit card receivables portfolio. As of January 30, 1993, \$52.3 million in advances and \$45.1 million in letters of credit were outstanding under the working capital facility and \$467.6 million of commercial paper, the maximum available based on the level of customer receivables, was outstanding under the receivables based facility.

The GE Credit Agreement contains a number of operating and maintenance covenants, as well as significant negative covenants. The GE Credit Agreement includes covenants for minimum aggregate net cash flow and earnings before interest, taxes, depreciation and amortization. In addition, the GE Credit Agreement prohibits the Company from paying dividends on its Common Stock and limits the Company's capital expenditures to \$75.0 million per fiscal year (\$87.0 million for the 1993 fiscal year). The GE Credit Agreement and the Company's agreements with Prudential and BofA also contain other covenants and requirements.

Since emergence, the Company has been in compliance with all of its financial covenants. Management expects to remain in full compliance with those covenants, some of which do not provide significant cushion. The GE Credit Agreement and the Company's settlement agreements with Prudential and BofA are filed with the Securities and Exchange Commission as exhibits to this Form 10-K.

Capital Expenditures. In-light of the Chapter 11 proceedings, the Company's capital expenditure programs were curtailed in 1992 and 1991. Capital expenditures amounted to \$38.2 million in 1992 and \$34.9 million in 1991, compared to \$38.0 million in the 26-week Transition Period, and \$83.2 million in 1990. The Company will concentrate its capital expenditures for 1993 on store remodelling in addition to ongoing required maintenance expenditures. The Company has budgeted \$55.0 million for capital expenditures during the 1993 fiscal year. Upon implementation of the Company's strategies described in "Business Strategy" under Item 1, the Company expects that annual capital expenditures will range from \$75.0 to \$125.0 million beginning in fiscal 1994.

Other Matters. At January 30, 1993, the Company had an estimated federal tax net operating loss ("NOL") carryforward of \$360.0 million, which expires in years 2005 through 2008. Although the Company's ability to utilize the NOL carryforward is limited on an annual basis as a result of changes in control, Management does not currently anticipate that the Company will have any significant cash requirements for income tax payments for the next several years.

On April 15, 1993, the Company announced that it was considering a public equity offering of newly issued Common Stock. While specific details are undetermined, the Company is considering an offering in excess of \$100.0 million, subject to market conditions, to be completed this summer. Although the offering price and specific use of the

funds, all of which would go to the Company, are largely undetermined, the Company continues to view store remodeling and debt repayment as top priorities. Since this is still in the exploratory stage, no assurance can be given that such an offering will occur.

#### Inflation

The effect of inflation on the Company's sales and cost of sales is, in the opinion of management, most closely approximated by the available inflation factors utilized in the computation of LIFO inventories. For the 17-week period ended January 30, 1993, the Company utilized an internally developed inflation index based on an analysis of the Company's unique merchandise assortment. For periods prior to the Effective Date, the Company utilized the Department Store Inventory Price Index published by the Bureau of Labor Statistics (the "BLS Index"). For the 17-week period ended January 30, 1993, inflation as measured by the internally developed index was not significantly different from that disclosed in the BLS index. The inflationary effect on SG&A is reflective of a variety of factors including the impact of changes in the consumer price index and the state of the California economy. The BLS Index increased 0.6 percent in 1992 compared to increases of 2.3 percent during 1991 and 3.5 percent during the comparable 52-week period ended February 2, 1991. For the Transition Period, the index increased 1.2 percent as compared to an increase of 0.7 percent in the comparable prior-year period.

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to the nation provided this item with respect to beneficial ownership of the Company's voting sociarities or ship to the company's voting sociarities or ship to the company and directors at a factor in the provided of the company of the factor of white social distribution in the company of the factor of the company of the factor of the company of the factor of the factor of the control of the factor of the company to the factor of the control of the factor of the control of the con

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### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data are as set forth in the "Index to Financial Statements" on page 29.

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## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information required under this item with respect to directors of the Company, see "Nominees for Election as Directors" and "Compliance with Section 16(a) of the Exchange Act" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

For information required under this item with respect to executive officers of the Company see "Executive Officers of the Company" under Item 1.

### ITEM 11. EXECUTIVE COMPENSATION

For information required under this item with respect to executive compensation, see "Compensation of Executive Officers and Directors" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

For information required under this item with respect to beneficial ownership of the Company's voting securities by each director and all executive officers and directors as a group, and by any person known to beneficially own more than 5% of any class of voting security of the Company, see "Principal Stockholders and Management Ownership" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For information required under this item with respect to certain relationships and related transactions, see "Principal Stockholders and Management Ownership -- Certain Relationships and Related Transactions" and "Compensation of Executive Officers and Directors -- Compensation of Directors" in the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 3, 1993, which sections are hereby incorporated by reference.

#### CEPART IV

the common that common and section 13 or 19(d) of the Reculifies Excluding A or or defend the constant in ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- The following documents are filed as part of this report: (a)
  - (1) Financial Statements

- JBy: \_\_\_\_\_\_ /s/ Day ... f. ... f. ... f. ... The consolidated financial statements of the Company are set forth in the "INDEX TO FINANCIAL STATE-MENTS" on page 29. The strained tries has inspicary

(2) Financial Statement Schedules

Financial Statement Schedules, except those indicated in the "INDEX TO FINANCIAL STATEMENTS" on page 29, have been omitted because the required information is included in the financial statements or financial review, or the amounts are not significant. How will be a little and a second and a second to the second of the second and a second of the seco ton and pour the wealf of the Registrant and in the capacities indicated to April I'll the ton

(3) Exhibits 2,11 1915/5

Exhibits are as set forth in the "INDEX TO EXHIBITS" on page 65.

Reports on Form 8-K **(b)**-

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None

Samuel Zell

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Executive Vice liebsident min Chief importal O'llier (F. inches

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A Lam C. Potence Luny G. P. terson

Senior Vic Primility Accounting and I ales Principal Accounting Officer)

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Caroline L. Alemanson

Dingtor

Dr. Leoberto E. Estrada

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 29th day of April, 1993.

	CARTER HAWLEY HALE STORES, INC.
	By:/s/_ David L. Dworkin
form a the interior to him and the	192 ora varging on: David L. Dworkin and Chief Executive Officer
ON TO THE MENT STATE INTOUNDED OF YE PO	(i) in and Standard Schooling (Standard Standard Schooling)
the financial states while or thorstose review of the	ities Exchange Act of 1034 this Denot has been at the second of the seco
Signature -	Title  Title  To fall the indicated on April 29, 1993.  Title  Title  The second of
	Chairman of the Board and Director
Samuel Zell	
/s/ David L. Dworkin	President, Chief Executive Officer (Principal -
David L. Dworkin	Executive Officer) and Director  Executive Vice President and Chief Financial Officer (Principal
/s/ Larry G. Petersen  Larry G. Petersen	Financial Officer)
/8/ Brian L. Fleming	Senior Vice President, Accounting and Taxes (Principal Accounting Officer)
Brian L. Fleming	
Caroline L. Ahmanson	Director
Dr. Leobardo F. Estrada	Director

<u>Signature</u> '''	TitleDate
) 	PARIS FOR FORMANIAN STATES
	Director
Philip M. Hawley	
Sidney R. Petersen	Pirector and A boined of guintest, at a Director melanguant to news.
	Rower, or in dependent Accountants (Relating to Period Being Counter 3. 1
	Consent of Independent resconding the first transfer of the first of the following the first of
*	(lon olidated rupantial Statement, i
Dennis C. Stanfill	eguines) Director is a legislines Director is a legislines of
	· · · · · · · · · · · · · · · · · · ·
	Constitution Statement of Cash Flows.
	Commidered Statement of Shareholders Equity Equity
Terry Savage	이 마음이 내 내가 이 전에 내려가 되어 있다면 하는데 되었다면 하는데 이렇게 되었다면 하는데 되었다면 하는데 되었다면 하는데
	fignancial Revision
	thatale HA. that I speivable from Related Parties
	Instrictived but Director V almentic
David M. Schulte	Solicante vi. montaied Depreciation and Amortization
하는 것은 사람들이 되었습니다. 그는 것은 사람들이 가장하는 것이 되었습니다. 그런 사람들이 되었습니다. 그는 것은 그리고 있는 것이다. 그런 것은 그리고 있는 것이다. 그런 것은 것은 것은 것은	in the state of th
	salements willing the tion and Qualifying Accounts and Pescryes .
	School le 18 in Formanie :
Sanford Shkolnik	Shoule X. upinginal income Statement Intomation
	and the state of t
	Director
Dr. Robert M. Solow	
*	Director
James D. Woods	

\*The undersigned, by signing his-name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named officers and directors and filed herewith.

> /s/ Marc E. Bercoon Marc E. Bercoon Attorney-in-Fact

CARTER HAWLEY HALE STORES, INC. INDEX TO FINANCIAL STATEMENTS

## word of the Page Report of Independent Accountants (Relating to Period Before October 3, 1992) Consent of Independent Accountants .... 32 Consolidated Financial Statements Financial Review Financial Statement Schedules 10 51: Dr. Robert M. Solow Junes D. Woods

"The unclaiming his manne hereto; does sign and execuse this Amoul Report on Form 10 M promises." to the Powers of Attentity executed by the above couned officers and directors and fited here.

> Ist Maro E. Bercoon Maro E, Hereoon . Atkingey-in-Pact

### REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Carter Hawley Hale Stores, Inc.

In our opinion, the consolidated financial statements listed in the index appearing on page 29 present fairly, in all material respects, the financial position of Carter Hawley Hale Stores, Inc. and its subsidiaries at January 30, 1993 and October 3, 1992, and the results of their operations and their cash flows for the seventeen weeks ended January 30, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in the Reorganization and Basis of Accounting section of the Summary of Significant Accounting Policies, on September 14, 1992, the United States Bankruptcy-Court confirmed the Company's plan of reorganization. The plan of reorganization, which was effective October 8, 1992, resulted in the discharge of all claims against the Company which arose prior to February 11, 1991 and substantially altered the rights and interests of the existing equity security holders. The Company utilized fresh start reporting as of October 3, 1992 to account for the effects of the reorganization.

Price Waterhouse in contract of principles as any one of the contract of the contract of principles of the second of the contract of principles of the second of the contract of the contract

#### REPORT OF INDEPENDENT ACCOUNTANTS

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To the Board of Directors and Shareholders of Carter Hawley Hale Stores, Inc.

In our opinion, the consolidated financial statements listed in the index appearing on page 29 present fairly, in all material respects, the financial position of Carter Hawley Hale Stores, Inc. and its subsidiaries at February 1, 1992, and the results of their operations and their cash flows for the thirty-five weeks ended October 3, 1992, the discal year ended February 1, 1992, the twenty-six weeks ended February 2, 1991, and the fiscal year ended August 4, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in the Reorganization and Basis of Accounting section of the Summary of Significant Accounting Policies, on February 11, 1991, the Company filed a petition with the United States Bankruptcy Court for reorganization under Chapter 11 of the Bankruptcy Code. The plan of reorganization was effective October 8, 1992, at which time the Company emerged from bankruptcy. The Company utilized fresh start reporting as of October 3, 1992 to account for the effects of the reorganization.

As discussed in the Changes in Accounting Policies section of the Summary of Significant Accounting Policies, the Company changed its method of accounting from income taxes in the thirty-five week period ended October 3, 1992, its method of accounting for other post employment benefits in the fiscal year ended February 1, 1992, and its method of accounting for pension obligations in the fiscal year ended August 4, 1990. We concur with these changes in accounting.

Price Waterhouse Los Angeles, California March 12, 1993

# CONSENT OF INDEPENDENT ACCOUNTANTS

tationent i

We hereby consent to the incorporation by reference in: (1) Registration Statement on Form S-8 (No. 33-58478); and (2) Registration Statement on Form S-8 (No. 33-58480) of our reports dated March 12, 1993 appearing on pages 30 and 31 of this Form 10-K.

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NV:CLOS A	ingeles, Ca	lifornia	1,281,152	1,691,144	939,779	e30,173,	
April	29, 1993	47,003	601,561 47,000 (30,000)	670,612	302,646	209,692	iedick in an interpolate aspendent of the interpolate in the interpola
160,094	800 011 87,598	24,300	\$00.00 \$60.001	70,263	1,957 60,185	00,943 - 29,623	indicated the solutions had not the contraction of the solution of the solutio
(0) (0)	27.710	(46,740)	(45.020)	(5),030)	(58,220)	39,320	ne on the property of the section of
		(000.03)	(MALON)	((30,081)	LET AUB		אני ועסקוטו פאומנות (ביצ (ג)) רבי ו ((נייג) יוטור פאומנותוג' (ביצו)
0(4)(1). 2003	27.710	(EB /AO)	(125,820) 28,250	(CED(OV))	CORD!	99,320 s.	
(CV1.0)	10.68()	(ONE PT)	(03.6)n	(Cento. 1)	832.703	22,720	Centhus (163.) Is ture oxidately thems and constitute oxidately as a secondary.  Catholic triates for the constitute oxidately as a secondary constitute of the constitute oxidately.
		(14,070)	714.87/5	0.68.811	63C.N.8-		ions on daid excitation of the field in the collection of the coll
##CL'81	(00.901)		(EDOM)		. Sco.en		tartion des tens, not of acumo tal bonalis  of set, and, it dies and on this  committee attent of changes in ecconomical  acumo regos  fostero married marked and other benotics  """  """  ""  ""  ""  ""  ""  ""  ""
(0780277	001.0	(97.610)	CAT GILLS	(10,000)	CS0.231.10	2.22.72.1	income tex bankli of \$2,000 certains flowers
	•						Dieils koalskon iot by dieils

sea accommunically of Significant Ascounting Policies and Financial Paylow.

### Consolidated Statement of Earnings

tion in the property of the second of the se	Period	Ended 1993	Ye	er Ended		d Ended	<u>Ended</u>
	January 30, 1993	October 3, 1992	February 1, 1892	February 2, 1991 (unaudited)	February 2, 1991	February 3, 1990 (unaudited)	August 4, 1990
thousands, except per share data)	(17 weeks)	(35 weeks)	(52 weeks)	(52 weeks)	(28 weeks)	(27 weeks) •	(53 weeks)
			_	A0 500 740	A4 010 FCE	41 042 02E	<b>\$2,857,819</b>
ales	\$889,843	\$1,248,004 FE 277	\$2,127,917 02.002	110.707	\$1,318,565 49,262	\$1,643,635 63,591	125,038
nance charge revenue	27,265	55,377	. 83,992	110,707	40,702	50,001	.20,000
ost of goods sold, including occupancy and buying costs	638,173	938,779	1,581,144	1,885,152	985,018	1,185,210	2,085,344
elling, general, and administrative expenses	209,992	362,645	570,512	681,581	341,503	402,558	742,618
rovision for consolidation programs				47,000	47,000		
ain on sale of Thathimers	•			(30,000)	(30,000)		
ther expense				<u>681</u> .		4,150	4,831
ernings from operations before interest							
expense, reorganization items and income taxes	68,943	1,957	70,253	59,062	24,308	115,308	150,064
nterest) expense, net	29,623	60,185	102,288	144,982	<u>- 71,046</u>	87,598	161,534
ernings (loss) from eperations before							
reorganization income (costs) and, -	39,320	(58,228)	(32,035)	(85,920)	(48,740)	27,710	(11,470
leorganization income (costs)		<u>884,131</u>	(138,057)	(40,000)	(40,000)		
amings (loss) from operations before							
encome taxes	39,320	825,903	(170,092)	(125,920)	(88,740)	27,710	(11,470
ncome tax benefit (expense)	<u>(18,600)</u>	8,800		<u>28,250</u>	<u>13,200</u>	<u>(11,050)</u>	2,000
amings (loss) before extraordinary items and cumulative effect of changes in accounting	22,720	832,703	(170,092)	(99,670)	(73,540)	16,680	(9,470
Extraordinary items							
Gain on debt discharge		304,388					
Costs related to early retirement of debt isst					•		
of income tax benefit of \$1,300 in the 3			(18,894)	(14,070)	(14,070)		
Earthquake loss, net of income tax benefit				10 00M		/10 E0M	(18,500
of \$4,000, \$7,000, and \$11,000	a			(6,000)		(10,500)	(10,00
Cumulative effect of changes in accounting		18,832					
Income taxes Post-retirement medical and other benefits		٠,,,,,			•		
net of income tax benefit of \$2,000			· (30.000)				<b>V</b>
Net earnings (loss)	1 22,720···	11,155,923	1 (216,986)	1 (119,740)	(87,810)	8,160	
				*			
Earnings per common share	- 1					N. Comments	

See accompanying Summary of Significant Accounting Policies and Financial Review.

### Consolidated Balance Sheet

b. 100 1804 4051 1.58		· · · · · · · · · · · · · · · · · · ·		1 con	t. 1		
2. Cobrider (consends)	Alennie ;	Same.	A JOEULIA	19229 10	1993	October 3, 1992 •	February 1, 1992
the ances i		Pathin cari					
most Assets to the In The Is	N20 0	(a)(2.50) (d)	ten in Sel,	10,450 (5)	(32) 120 m (F)		le de la companya de
Current assets							( in the first to the same of
1014 () Cash 1133 (2) 4 4	173,1630	(018,60. 5	(170,02:)	. 332,703 ;	18,617	<b>\$</b> 18,268	37,518
Restricted cash						47,954	Constant of the analysis
Accounts receivable, ne	1			(200,978)	579,784	484,628	615,309
Merchandise Inventories		42,630	160,62h		487,709	511,424	384,448
(602.7: Other current assets		incont.	'a				
	7000 097	(f.16.1,06.1)			12.913	<u>26,007</u>	19,822 ↑↑ in 3
	zon art	#102.71			1,079,033	1,086,278	1,057,093
Property and equipment, no		(007.61)			788,128	- 784,833	509,189
Other assets				_	45,740	47,589 -	<u> 101,380</u> }(
The state of the s	(45,45.3)	(45,437). 20 (66.	78133 T	147.934	1,912,902	. <u>\$ 1,918,701</u>	<u>‡ 1,667,682</u> "
Liabilities and Sharehold	ers' Equity	11,0,10,	28,0472	119 976	als er		Maring the second
Current liabilities	20.452	20,122	201 kg:	63,363	YEX HOY	riolly's .	Justine Common
Notes payable and cum	nt a v	(3.116)	111 : 651	Bills 61	(000)	<b>31</b> ,	in the state of th
	1109,20	27,194	11.6.444	The second second second	69,385	99,792	(**: 39,868   1052-141
Accounts payable					172,159	220,379	135.278
- Accrued expenses	317,000	317,909			142,973	165,302	135,278
Current income taxes	8,169	14,216				3,000	10,923
(574.)	237,596	180,555	(34,650)	12:00 ZTF =	3,038 377,556	487,473	14 (2) 140 12
Liabities subject to settlen	1 1000	***************************************				407,473	// (bar. 428,823   1/40 / 1/1
under reorganization prod							598,321
Receivables based financing				355,006 -	487,577	Y! 388,306	489.254
Other long-term debt				- 800 to 1	615,658	AUROLT LES O DATE	Hat change in dig ville
Capital lease obligations			Apr. ve.	(-3):3:64)		513,165	453,174
Other liabilities			97,099		. 47,558	colphia his 53,102	55,255
	oru i i i	r on batt	e lance		117,343	121,655	132,471 nutit ,qqq
The second second	300'0V;	(163,094) (20,000)	1001 (1.01		12,450	(fillion) he <b>5,000</b>	18,840
Shareholders' equity (deficit		Aut er					after put to be comes stated.
Preferred stock, \$.01 pa		(Linital)	(17,7)	(1.924)	- c. 11 ·	Jun Jahr arretiment	and the second of the state of the second of
Common stock, \$.01 pa	yako ,	(6,113)	(14.694)	F(10,602)	352	350	re the state of 303 and to
Admi had at coluce	2.0	1200 041	Dry enti	030,03	351,678	349,639	643,194
Accumulated earnings (d	The same of the sa	(202,84.)	(60,731)		22,720	edalities fluid	(1.151.973)
1805	y a.u.	14.920	4.025	nes str		350 000	IN IN F. ISON AZEL STRUCTURES
14,221		liyar.	157.TE	ole.L.	1.912.902	1.010 701	(508,476) 1,667,682
14.221 14.221	Elat Ch	111118.6	223\F. F	18.208	N1981	7 1.010./01	della allaboration desir
· · · · · · · · · · · · · · · · · · ·					The state of the s		

### Consolidated Statement of Cash Flows

		Period Ended		Year	Year Ended		Period Ended	
Felights 1.	e talatad. Luki	January 30, 1893	October 3	February 1,	1891	1991	February 3,	Year Ended August 4,
(In thousands)		(17 weeks	(35 weeks	) (52 weeks)	(unaudited) (52 weeks)		(unaudited) (27 weeks)	(63 weeks)
Operating activities							a to t	100° 11.
Earnings (loss) from operations	tarens &	\$ 22,720	# 832,703	\$ (170.092)	<b>\$ (89.670)</b>	\$ (73.540)	\$ 18.660	dir \$ (9,470)
Adjustments to reconcile earning								
to net operating cash flows	[ Jakk, NF							
Fresh-start adjustment	412,628	- 1 <del>-0</del> 1.	(908,373)			31)	Janes .	If A A
Depreciation and amortization		10,617	27,923	43,838	42,630	21,836	27,803	50,995
Stock compensation	PSA.118	1,401					official and a	
Earthquake costs	• 503,73	Liver			(10,000)		(17,500)	acidit() (27,500)
Gain on sale of Thalhimers	1,035,270	6,0,070			(30,000)	(30,000)		
Gains on asset sales					(7,288)	140 000		(7,298)
Change in operating assets a	nd liabilities and of office	16,450			(19,605)	(18,081)	tempege his	;;;;;;;; (514)
of sale of Thalhimers in 19		d5 7e9						ation .
Restricted cash		47,854	(47,854)	45,437	(45,437)	(45,437)		
Customer receivables, net	10/31/13	(88,217)	105,040	78,168	26,565	(89,693)	(148,843)	8.272
Merchandise inventories		•43,715	(79,476)	(28,997)	91,834	94,300	21.826	12,081
Accounts payable and accru	sed liabilities	(64,157)	59,309	201,893	70,022	29,452	(67,736)	(28,452)
Receivables securitization de				7,988	(5,116)		(10,345)	(15,472)
Other, net-		(4,989)	14,359	(11,565)	13,179	2,882	1,343	on (18,529)
Net cash provided (used) by open	rating activities	(14,506)	5,531	168,444	27,104	(108,281)	(174,892)	(35,887)
Investing Activities	224370	out, in					i sc n	אויטונו
Proceeds from sale of Thalhimen	• - XOE BAR	E.e.			317,000	317,000	A	
Proceeds from asset sales					14,216	8,469		5,747
Purchases of property and equips	ment	(21,180)	(17,052)	(34,850)	(80,556)	(37,989)	(28,219)	(83,220)
Not cash provided (used) by inve	sting activities	(21,180)	(17,052)	(34,850)	250,660	287,480	(28,219)	(77,473)
						fenore	: LL 2.15 10. 50 %	and the state of t
Financing activities						the second second second	ne lesing prom	
Postemergence debt activity								
Not change in financing under	있는 일이 없는데 이번 없이야 한 집에 가장이 가장하는데 되었다. 그리지 않아 하지 않아.	79,271	389,308			. If u	nend becaused	dsvingell .
Net change in financing under	working capital facility	(38,485) 860,5	90,800				g'ann isht	net with
Postpetition debt activity  Net change in financing under	cocamables hased facilities		(489,254)	- 489,254				
Net change in financing under	집사 하다 마음에 있는 것이 되었다면 하는 것이 어떻게 하는 것이 살아 하는데 하는데 있다.	1,511	(37,000)	37,000			michaeth, om	G 1. 2.03 ?
Prepetition debt activity -	TOTALLY COPILER TOCHICS	W. V.	(47,000)	37,000			illus .	led rolly
Net change in financing under	receivables based facility	17.44)		(833,798)	(153,994)	(44,848)	135 380	112.18% <b>26,214</b>
Net change in financing under	내용에 있는 아이들은 아이들은 아이들이 얼마나 아이를 내려가 되었다.	,(R; 7°, 2·1			(20,000)	(40,000)	20,000	40.000
Other issuances of long-term de					23,104		es) there and	
Retirements of long term debt an	d capital lease obligations	(2,739)	(1,929)	(2,771)	(115,053)	(7,1,665)	(8,162)	
Costs relating to early retirement	ts of long-term debt, net							
of items not requiring cash out	lay –	- S <b>x</b> /E	(10,652)	(18,884)	(5,113)	(5,113)	1.4. A C.	t (in)
Issuances of common stock			<u>50,000</u>	~ 15	8,212	2,347	44,697	10 50,582
Not cash provided (used) by fina	ncing activities	38,047	(9,728)	(127,209)	(282,844)	(159,279)	193,895	100,054
Not increase (decrease) in cash		2 361	(21,250)	4,385	14,920	18,910	10 2101	112 2001
Cash at the beginning of the period		2,351 16,288					(9,316)	(13,306)
		- = 10,200	<u>37,518</u>		<u> 18,211</u>	14,221	<u>27,527</u> ·	<u>27,527</u>
Cash at the end of the period		<u>\$ 18,617</u>	1 18,288	♦ 37.516	<u> </u>	<b>\$ 33.131</b>	18,211	\$ 14 221
					•			

See accompanying Summary of Significant Accounting Policies and Financial Review of Significant Accounting Policies Ac

# Consolidated Statement of Shareholders' Equity

		Shares Japued		Par	Value	Accumulate	
(In thousands)	Varrants	Preferred	Common	Preferred	Common	Other Paid Earnings in Capital (Deficit);	
Balance, July 28, 1989  Net loss  Issuance of common stock  Issuances of common stock to profit  sharing plan  Net cancellations of common stock	on ("PCh?")	รมมีเรียดของ เกิด while sougantz: เป	3,450	arti sebok oi-voidebas oversones	34 32	23,242	
Stock incentive plan contra 1982 (1987)  Exercise of stock options  Recognition of additional minimum (1988)  pension liability  Balance, August 4, 1980  Net loss issuances of common stock to profit	the two-chi	rviielniii) or ali unse exales or K <del>o bo c</del> o it heariijo	29,848	ico en colimate de la colonia	11(1) (1) (1) (1) (1) (1) (1) (1) (1) (1	1.1. 4,498 (b) (b) (c) 1.4(i)	
Net cancellations of common stock  under the stock incentive plan  Stock incentive plan contra  Adjustment to additional minimum	ock out ites es of nevel libri vil con er <u>certet</u> i t	ntingo str illiga shar of 2.5 mi	(158)	conversions Stock") I	2.117 (2)	(2,171) 4,813 3,758 643,252 (918,182)	
Existing equity holders:	in Stack in la additional additional 2 te, 32 4 mi nant, of wh	of Commo nead are quired an fective Da ective Da ares of Co	30,349 30,349 36,000,000 12,000,000 12,000,000	1.2 milion sing taction of investor singre. As singre. As 1.31.35.0	303	(18,805) 843,184 (1,151,973) 1,155,923	
onversions of preferred stock	1,333 986 10 9101112 100 0000 011 1.333 011 8 1900100	Of,143 Do	2,388 A. O. Dani 27,600 15,000 134,988 A. O. C.	configury's incoming the financial from the financi	278 	23,966 (15 ft 1, c); (275,724 (15 ft)	
Salance, January, 30, 1993	b 1.374 Jun.	1,102 (0,10 2)25(	35,200 1 169V 160	eit tuernich	352	<u>\$351,878</u> <u>\$22,720</u>	

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# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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On February 11, 1991 (the "Petition Date"), the Company filed a petition for relief under Chapter 11 of the Bankruptcy Code. The Company subsequently managed its affairs and operated its business under Chapter 11 as a debtor-in-possession while a plan of reorganization was formulated.

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On July 28, 1992, the Company's plan of reorganization ("POR"), which was supported by the largest secured and unsecured creditors and the official committee of the equity security holders, was filed with the Bankruptcy Court. The POR was overwhelmingly supported by all secured debt holders, by 98-1% in number and 95.9% in dollar amount of all unsecured creditors voting, and by 98.1% of section of holders. This was well in excess of the two-thirds in dollar amount and one-half in number of holders voting required for the POR to be confirmed on a consensual basis. The POR was subsequently confirmed at the Bankruptcy Court hearing held on September 14, 1992 and became effective October 8, 1992 (the "Emergence Date").

The POR provided for the conversion of substantially all unsecured claims into 27.6 million shares of Common Stock, the conversion of all common stock outstanding immediately prior to the Emergence Date ("Old Common Stock") into 2.4 million shares of newly-issued common stock of the Company ("Common Stock") and a combined total of 2.5 million of convertible warrants or shares of preferred stock, and the conversion of accrued interest under certain secured debt agreements into secured long-term obligations in accordance with the related settlement agreements.

Pursuant to the POR, Zell/Chilmark Fund, L.P. ("Zell/Chilmark"), the Company's largest unsecured creditor, received 21.2 million shares of Common Stock in settlement of approximately \$461.0 million of unsecured claims on the Emergence Date. In addition, pursuant to the terms of the Postpetition Store Modernization Facility Conversion Agreement (the "Conversion Agreement"), Zell/Chilmark and an institutional investor each acquired an additional 2.5 million shares of Common Stock at a price of \$10.00 per share. As of the Effective Date, 32.4 million shares of Common Stock were issued pursuant to the POR and the Conversion Agreement, of which Zell/Chilmark owned 73.2 percent. Upon the issuance of all 35.0 million shares of Common Stock contemplated by the POR, Zell/Chilmark will hold 67/8% of the outstanding shares of Common Stock of the Company.

Basis of Reporting

The financial statements as of October 3, 1992 (the "Effective Date") and for the 35 week period then ended reflect the Company's emergence from Chapter 11 and were prepared utilizing the principles of fresh-start reporting contained in American Institute of Certified Public Accountants' Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (the "Reorganization Statement"). Operations during the period from October 3, 1992 through the Emergence Date had no significant impact on the emergence transactions and as a result have not been separately identified. The financial statements as of October 3, 1992 and for periods ending thereafter have been segregated from those for prior periods by a solid double line to reflect the

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significant change in reporting entity resulting from the application of fresh start reporting.

Certain amounts reported in prior years have been reclassified in the accompanying financial statements to conform to the current fiscal year basis of presentation.

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#### Fiscal Year and the many and are a separation in an automation of an area of an area and all the second of the sec

Effective as of February 2, 1991, the Company changed its fiscal year, end from the Saturday closest to July 31 to the Saturday closest to January 31. This change facilitates comparisons between the Company and other major retailers, most of which have similar fiscal periods and reflects the natural cycle of the Company's business.

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# Changes in Accounting Policies

In accordance with the Reorganization Statement, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Prior to the adoption of SFAS No. 109, the Company accounted for income taxes under Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"). Both SFAS No. 109 and SFAS No. 96 require the use of the liability method of accounting for income taxes and require the adjustment of previously recorded deferred tax liabilities and assets for the effects of changes in tax laws or rates through the date of the latest financial statements presented. SFAS No. 109 changed the criteria for recognition and measurement of deferred tax assets and allowed the Company to recognize certain benefits resulting from net operating loss carryforwards for which no benefit could be recognized under SFAS 96. The cumulative effect of the change on prior years was a gain of \$18.8 million, which has been reflected in net earnings for the first quarter of 1992.

During 1991, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pension." Effective February 3, 1991 a \$32.0 million long term liability for the postretirement benefits, a \$2.0 million reduction of the deferred tax liability, and a \$30.0 million net of tax charge were recorded to reflect the effects of this change in accounting.

Accounting Standards No. 87 "Employers' Accounting for Pensions" ("SFAS No. 87") for all-defined benefits plans. The statement requires recognition of an additional minimum liability if the accumulated pension plan benefit obligation exceeds the fair market value of plan assets. The application of these provisions in 1990 resulted in the recognition of an additional minimum pension liability of \$47.1 million offset by an intangible asset of \$33.7 million, a reduction in deferred taxes of \$5.3 million, and a direct charge to equity of \$8.1 million.

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### Sales

Sales are net of returns, exclude sales tax, and comprise merchandise, services, and sales by leased departments.

### Customer Accounts Receivable

An account is generally written-off when the aggregate of payments made in the most recent six months is less than one full monthly scheduled payment, or when it is otherwise determined that the account is uncollectible.

### Inventories

Merchandise inventories are valued at the lower of cost or market, as determined by the retail method on the last-in, first-out ("LIFO") basis. For periods subsequent to the Effective Date the Company utilized internally developed inflation indices in the computation of LIFO inventories. Prior

to Effective Date, the Company utilized the inflation indices published by the Bureau of Labor Statistics. The effect of this change was not significant.

closes of July of to the Sucoday observes to January 31. This county far that the property of the Company of th

Property and equipment are recorded at cost and include major renewals and improvements of a permanent nature. Other renewals and improvements and maintenance and repairs are expensed.

Depreciation and Amortization (action) and themsels included in the consolidated Statement of Earnings regardless of when such as provided currently for all items included in the Consolidated Statement of revenues and expenses in different periods for tax and financial statement purposes.

Earnings Per Share of Common Stock and thomas the past for Visidal manual of the state of the st

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oies aru nut it rei irns, exclude sales tix, and comprise merchandise, not vicos, and anies iv

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in process, the generally written off when the egocopate of payments made in the most recent seaments is less that one full monthly scheduled payment, or when it is otherwise determined that the seament is uncollectible.

Remoted and

Interchandise inventories are valued at the lower of cout or incrket, as determined by the ratalf grant of the limit of the lower of the control of the Effective Date the Committee of the the the Committee of the lower of the

the the source of the countries as an about the set FINANCIAL REVIEW. A suite about the additional to the said that 27. A million shares of Common Etook; the conversity is the same Shares of Old Common Sanot Debt Discharge and Fresh Start Reporting of the short, and stook, and the company to save as nothing to come productions of the contract of th The property of the state of th The adjustments to the Company's Consolidated Balance Sheet to record confirmation of the POR as of the Effective Date are as follows: Simonism particular to the end this attention of the Effective Date are as follows: SOT (iii) I Street to Record of the little of the little of the Adjustments to Record of the manifestion in the street of the st Assets Current assets Cash \$ 39,077 \$(22,811) 11,1,5,1,16,266 Restricted cash 47,954 47,954 Accounts receivable, net 1/13/10:495,362 (1915) (8,842) (1,892) (1,892) 484,628 Other, current assets 20,245 20,245 20,245 20,245 20,238): 9,000 20,26,007 Property and equipment, net with a 501,460 honorage and equipment, net with 501,460 honorage and equipment, net with 501,460 honorage. Other assets 100 (41,531) 47,589 is south decreasing of howers and more fills at that the subscribe processing in-scheme and and an in-Term time 1: 10:31 10:1200 10:13:11 1:01 \$1,609,906 10:12 \\$12,343 511 \$296,452 11:\$1,918,701 Liabilities and Shareholders' Equity all eich eichen beines bennehm sie wers den bestellt eich eine den bei the Current liabilities Notes payable and current Accounts payable, actionating to available of emp. 245 a pag available, 220,379 E be Current income taxes (iv) entr to em 3.000 ennegrence of the introduction 3.000 ... 549.810 (79,327)6 / 16,990 nc 55 487,473 Liabilities subject to settlement E militarie appared on new antiquence consultants and moitsant and moits and moits and moits and moits and and antique of the consultants and moits and another the consultants are another the consultant another the consultants and another the consultants are another the consultants and another the consultants are another the consultants and another the consultants are another the consultants proceedings is the order risk the coop of the fair value of the first training of the proceedings Receivables based financing at toolier of 389,803 show stell (497) his cult is calificle 388,306. .... Other long-term debt 451,776 61,389 Capital lease obligations 1000 eril nichespen 53,102 merleelb school est nitiv per alle poses 20053,102 117 Other liabilities 11 11 et evvolit (les.) 10 132,878 - Dersbilo 1,391 905 0 (12,414) 121,655 Deferred income taxes " (ii) ewollof as a a revolt deso dous to strumule 5,000 ed. Shareholders' equity (deficit) Preferred stock, \$.01 par value : Common stock, \$.01 par 303 326 (279)350 value Other paid in capital 643,194 325,674 (619, 229)349,639 Accumulated earnings (deficit) 11,210,760) 304.387 906.373 286.876 350.000 (567.263) 630.387 \$1,609,906 \$ 12,343 4296.452 \$1,918.701

- (A) The debt discharge reflects the conversion of \$600.0 million of liabilities subject to settlement into 27.6 million shares of Common Stock, the conversion of all existing shares of Old Common Stock into 2.4 million shares of Common Stock and a combined total of 2.5 million in either warrants or shares of exchangeable preferred stock, and the conversion of accrued interest under certain secured debt agreements into secured long-term obligations in accordance with the related settlement agreements. In addition, the debt discharge entries reflect the repayment of all borrowings and the write-off of related unamortized debt issuance costs under the Post-petition Credit Agreement and the Post-petition Securitization Agreement, both of which matured on the Effective Date. The debt discharge also reflects new borrowings and the related debt issuance costs under the New Post-reorganization Working Capital Facility and the New Accounts Receivable Facility, and the \$50.0 million equity investment made concurrent with the Company's emergence from Chapter 11.
- (B) 'The following were the significant assumptions and principal effects relative to the application of fresh start reporting.

In accordance, with the Reorganization Statement, an independent valuation consultant determined the unleveraged value of the Company's assets on the Effective Date (the "Reorganization Value") based on an enterprise and equity approach. The enterprise and equity values were derived using various valuation methods, including the discounted cash flow ("DCF") and the market multiple ("Multiple") approaches. For the DCF approach, the Company's projections of unleveraged after tax cash flows and leveraged after tax cash flows for the five years 1993 through 1997, together with the capitalized value of earnings subsequent to 1997 were discounted to present values at interest rates approximating the Company's projected weighted average cost of capital and cost of equity, respectively. For the Multiple approach, an analysis of current public market valuations of selected companies whose businesses were deemed comparable to the Company's was completed.

These valuations produced a range of multiples which were applied to the Company's current (normalized) cash flows and net income in order to arrive at enterprise and equity values. A review of the valuations developed through the DCF and Multiple approaches resulted in the final determination of the \$350.0 million emergence equity value of the Company which provided a basis for the Reorganization Value.

Based on appraisals prepared by independent valuation consultants and analyses prepared by management, the Reorganization Value was allocated to the fair value of the Company's assets. In addition, liabilities at the Effective Date were adjusted to reflect present values.

(C) The cash flows associated with the debt discharge are reflected in the Consolidated Balance Sheet—as of the Effective Date and the Consolidated Statement of Cash Flows for the thirty-five weeks then ended. The major elements of such cash flows are as follows (in thousands):

Mr. artinday for the Limite Park 303 1279 350 : torriso to diament . It. 643.194 1 2 25 674 (619,229) 349,639 יינינוויו וואויות שלי ניוויות מג 130 508 T 11210.760) :50C,313 050,307 200,876 \_1567,263<u>}</u>; 350,000

Cash collateralization of existing Letters of Credit Repayment of borrowings and accrued interest under Post-petition Credit Agreement Repayment of financings and accrued interest under Post-petition Securitization Agreement Call premium on securitization notes Payments of allowed claims Debt issuance costs for the Post-reorganization cred Total uses Net decrease in cash due to debt discharge adjustments Preconfirmation cash balance	illing 2. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.
	stermuladit to a or: i.o mei)
In accordance with the Reorganization Statement, reorganization have been segregated and are separately decordanization have been segregated and are separately defolious:  Only 1988 And 1989 A	isclosed. The major components are as  Institution Transition  February 1, 1992 - February 2, 1991  (52 Weeks) - (26 Weeks)
Adjustments to fair value \$ 908.4  Provision for consolidation  Provision for store closing costs  Provision for settlement of disputed  Claims  Professional fees and other  expenditures directly related to the filling  Write-off of unamortized debt issue (valued gribne) to costs on subordinated - 1001 CV (valued gribne) to	(9.0) (65.0) (1) have (25.0) has all to also all to
debentures : :	milloro: 19.7) hedeildare (a.c.)
<u>\$ 884.1.</u>	<u>\$ (138.1)</u> \$ (40.0)
42 March 1988 1988 1988 1988 1988 1988 1988 198	

The adjustments to fair value reflect the effects of the revaluation of assets and liabilities in accordance with the Reorganization Statement. These adjustments which include the \$283.4 million write-up of fixed assets and the net increase of \$3.5 million in other balance sheet items result in the elimination of the remaining \$619.5 million accumulated deficit in shareholders equity. The \$9.0 million adjustment in fiscal 1991 reflects the reduction in the carrying values of certain assets based on the anticipated effect of the POR on the amounts to be realized for such assets.

The provision for consolidation is comprised of the estimated costs for the comprehensive centralization of major management functions. The new management approach, implemented during 1992, consolidates all corporate, merchandising, marketing, operations, administration, and support functions into a single organization.

The provision for store closing covers both the estimated costs to be incurred in closing certain stores and other facilities together with penalties to be incurred upon the rejection of related building and personal property leases.

The provision for settlement of disputed claims represents management's estimate of the not amount required to cover all outstanding disputed claims included in liabilities subject to settlement based on current facts and circumstances.

Unamortized debt issue costs on subordinated debentures, which totalled 69.7 million as of the Potition Date, were charged to reorganization costs in the fourth quarter of 1991 as a result of the claims related to the debt being allowed by the Bankruptcy Court.

Gain on Debt Discharge

Service of the first of the state of the first of the state of the sta there are the Eastern and the Chain I berger for the mineral artists of Chains the second of a first manufacture and bound by the Decision 34;

The gain on debt discharge reflects the conversion of \$600.0 million of liabilities subject to settlement into \$276.0 million of shareholders' equity resulting in a \$324.0 million gain. The gain is presented net of write-offs and costs associated with the repayment of borrowings on the Effective difficultion of bid will dition Date.

Gain on the Sale of Thaihimers

raid and the fire pine and Coats

On December 14, 1990; the Company completed the sale of its Thalhimers subsidiary for \$317.0 million. The transaction, which was effective as of November, 1890, resulted in a pretax gain of \$30.0 million which was recognized in the thirteen week period\_ended November 3, 1990. Thalhimers' results of operations for the thirteen week period ended November 3, 1990, which consisted of a loss before interest of \$.1 million and a pretax operating loss of \$7.9 million, were excluded from the results of operations and were incorporated in the gain on the sale. Thalhimers' sales for fiscal 1990 amounted to \$445.9 million, comprising \$262.3 million in the 27 week period ended February 3, 1990 and \$183.8 million in the 26 week period ended August 4, 1990. Marie Talling Control of the Control

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Regional Consolidation Programs

Provision for contabilitions. tes sion for at he single costs

homigate to the second of disputed - The sate of Thalhimers allowed the Company to completely focus on its markets in the Western United States. In this regard, the Company initiated expense reduction programs directed at capitalizing on the available efficiencies associated with the operation of a more centralized business. These programs included divisional consolidations, consolidation of divisional administrative activities, elimination of redundant functions, and reduction of overhead at both the operating divisions and the corporate office. During the 26-week period ending February 2, 1991 (the "Transition Period"), the Company established provisions totalling \$47.0 million for these programs. Approximately: \$12.0

million of the total related to estimated costs for the consolidation of the administrative functions of the Company's Emporium and Weinstocks divisions; which was completed in 1991.

### Other Expense

(nitarieli) nensual ant minori

Other expense relates to costs incurred in consolidating certain corporate buying programs, transferring the administration of group buying programs to the Associated Merchandising Corporation, an independent retail organization, and the clasure of the Company's New York buying office. Gains on asset sales of \$7.3 million reduced net other expense to \$4.8 million in 1990.

The composition of deferred income taxes and the effective income tax at a composition of deferred income taxes income tax at a composition of deferred income taxes and the effective income tax at a composition of deferred income taxes and the effective income tax at a composition of deferred income taxes and the effective income tax at a composition of deferred income taxes and the effective income tax at a composition of deferred income taxes and the effective income tax at a composition of deferred income taxes and the effective income tax at a composition of deferred income taxes and the effective income tax at a composition of deferred income taxes.

(In millions)	Pariod Ended (26 Weeks)	Delical Period VISUIUS 30, (2.405.6.1893)	Ended  October 3,  (2 x 1992  (35 Weeks)	Ended February 1: 1892 (52 Weeks)	Transition  Period Ended  February 2,  1991  (26 Weeks)	Year Ended August 4, 1980 (53 Weeks)
Interest on total debt	P. F 8	<b>\$</b> 24.8	(8 54.1	\$ 90.1	* 78.5	1 166.1
Interest allocated to T	pitalized lease obligation	1.6	3.4	5.4	3.0	, <b>8.9</b>
Capitalized interest		(.5)	(8.8)		(11.4)	
Amortization of debt is	suance chate	2.8	(.4) 4.3	± (1.6)	(1.8)	(4.5) USTI 150
Commitment fees		.8		8.3	2.0	7.1 Israil 1
Other	(r.err	. 2	(1.2)	e.	7	(1.4)
Interest income				r.di .		(12.7)
Interest expense, net	\$ <u>(13:2</u> )	<u>1 28.6</u>	(8.0) <b>8 60.2</b>	3 0 [ 2 3102.3	₹ 71.0	4 161.5

Interest payments; net of amounts capitalized, were \$34.0 million in the seventeen week period ended January 30, 1993, 632.8 million in the thirty-five week period ended October 3, 1992, \$46.6 million in 1991, \$77.9 million for the Transition Period, and \$169.2 million in 1990. As a result of the Filing, interest payments during bankruptcy were limited to amounts due under the Post-petition Credit Agreement; the interim Receivables Facility (during its existence); the Post-petition Receivables Securitization Facility; and the interest element of capital lease payments made. During bankruptcy, interest continued to accrue on the Company's secured mortgage debt but no payments were made. Both the accrual of interest and amortization of debt issuance costs on the Company's subordinated debt ceased at the Filing. Unaccrued interest on the subordinated debt amounted to \$29.2 million in the thirty-five weeks ended October 3, 1992 and \$42.5 million in the prior year. In accordance with the POR, the liability for such unaccrued interest was cancelled with no payment due. The remaining \$9.7 million of unamortized debt issuance costs relating to the subordinated debt was written-off as a reorganization cost in the fourth quarter of 1991.

Commitment fees totalling \$1.8 million in the thirty-five week period ended October 3, 1992, \$3.2 million in 1991, \$1.7 million in the Transition Period, and \$3.5 million in 1990 were included in

selling, general and administrative expenses. Such fees are reported as a component of interest expense for periods subsequent to the Effective Date ivides to the component of interest of the expense for periods subsequent to the Effective Date ivides are reported as a component of interest expense for periods subsequent to the Effective Date ivides are reported as a component of interest.

### Income Tax Expense (Benefit)

Income taxes for the current year were required to be separately computed for the pre- and post-reorganization periods. The \$6.8 million tax benefit recognized for the thirty-five week period ended October 3, 1992 reflects the reversal of certain tax reserves on favorable resolution of income tax audits for tax years through July 1990.

The limited ability to utilize net operating loss carryforwards in certain periods is reflected in the following analysis of the Company's expense (benefit) for income taxes and the related analysis of the composition of deferred income taxes and the effective income tax rate.

The composition of initial expense are as-information.

1567	Peried	<u>Ended</u>	Year <u>Ended</u>	Transition Period Ended	Year <u>Ended</u>
(In millions)	January 30, 1993 (17 Weeks)	October 3, 1992 (35 Weeks)	February 1, 1992 (52 Weeks)	February 2, 1991 (26 Weeks)	August 4, 1990 (53 Weeks)
Current	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	LEND WY CL.	(chouse tri)		In the VE
Federal	381.7	\$ (6.8)	\$ 24.0		* (2.9)
State_	0.6	3.4	3.1	envital. A soligaci	
	1.17)	(6.8)		4.0	
Deferred	(6.1) (0.7)	(N)	(8)	<u>5.9</u> "'	252 21. 1.15)
Federal	11.6	4.3	20 3	- 15 St. 601 281 7	Tara i a cons
State	4.9	4.	8.8	(17.1)	(.3) -(ee) (.2) (.3
	16.5	11.21	2		- 1216
Income tax exp		3.		(19.1)	(.5)
(benefit)	\$ 16.6	\$ (6.8)	8	<u>\$ (13.2)</u>	\$ (2.0)
* · · · · · · · · · · · · · · · · · · ·	£10 <u>73</u>	S. QU. 3	20.6		\$ (2.0)

is set payments, net of anounts capitalized, were \$34.0 million in the soventeen yields need and the process of the process of

Commission foos totalling \$1,8 million in the thirty-five weak period an led O to 1192, \$2.5 million in 1530 vicinition in 1530

Deferred income tax expense (benefit) results from temporary differences in the recognition of revenue and expense for tax-and financial statement purposes. The sources of these temporary differences and their tax effects are as follows:

	Period	Ended	- Year Ended	Period Ended	Year Ended _
(In millions)	January 30, 1993 (17 Weeks)	October 3, 1992 (35 Weeks)	February 1, 1992 (52 Weeks)	February 2, 1991 (26 Weeks)	August 4, 1990 (53 Weeks)
State income taxes	\$ (1.7)	\$ 1.6	\$	\$ .3	\$ .9
Property and equipment(: ( )	8.1	*		(2.8)	··· 6.9 · · · · ;
Deferred revenue (C -11)					1 (2.8) O.L.
Capitalized interest and other real estate costs	.2	(7.5) (8.7)		gm.sc.6.51	101.12.1 1015
Prepaid and other deferred , , , charges		(% f (* 1 7 · · ·		(1.4)	9.1
Inventories	10.4	(1° E)		(.3)	(2.4)
Provision for consolidation (1)	.2.5	1206 19.1		15 A . l. (4.1)	enne 6.6
Provision for store closing	4.4	6.9	)	as, (0.0) ,ass	fict 's treat
Deferred gross profit on installment sales	•			(.8)	(20.6)
Accounts receivable - ***********************************	Y (10) (1:2) (10)	meng prieses	tianated tax is	en sed you me	<sup>1.76</sup> 1.1
Lien date property taxes	(2.1)	15. 2000 thin	iro in the Yea	QXB.T.M. Y. Ph.Z	in plants
Unamortized debt issue costs,,,	Charles and a contract of the	3.6	The Cornany	21. (111.05 - 10)	
Loss carryforwards seutu	11(10.9) WTO	nia (394) [ pni	its tiet oper	odlike of vind	se
Tax credit carryovers (SILLIE) (C. Calina)	3 million which	forward of Ma	ssrcredit carry	a tedlo al cuair	
Deferred income tax expense (see (income tax expense)	A Property of the control of the con		the property of the property of the first of the		

Factors causing the Company's effective income tax rate to differ from the federal statutory rate are as follows:

ຳປະ ເດເວງະ ຍອາຍ ທ <del>່ວນ Deriod</del>	Ended	Year Ended	Transition Period Ended	Year <u>Ended</u>
(Percent of pre-tax earnings) (17 Weeks)	October 3,	February 1, 1992 (52 Weeks)	February 2, 1991 (26 Weeks)	August 4, 1990. (53 Weeks)
Federal income tax at at the 34.0% of statutory rate at				(34.0)%
State income taxes arisel xal am8.49 to 19				-15.2
Losses for which no benefit	34.0	34.0	iden ed annis 19.1	
Targeted Jobs Tax Credit			(.4)	
Adjustments to taxes previously recorded	(.8)		(.9)	(2.1)
Other, net			(.4)	<u>3.5</u>
Effective income tax rate	(.8)%	%	(15.2)%	<u>(17.4</u> )%

The principal items comprising the deferred tax liability (asset) are as follows:

(In millions)	January, 30, 10% (1.8.3.1.1) 1993	October 3, III 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2
Property and equipment	\$ 178.5. 32.5 ************************************	\$ 170.4
Other Cross Deferred Tax Liability (1940)	7.8 1218.8	22.1 7.9 200.4
Employées benefit plans	(48.3)	(48.9) in this in (48.9)
Short-period loss Accounts receivable	(10.0) (7.5)	(6.3)
Provision for store closing Provision for consolidation Loss carryforwards	(6.7)	(3.9)
Credit carryforwards Other	(112.4) (3.9) (16.1)	(101.5) /************************************
Gross Deferred Tax Asset	(206.3)	(18.8) (204.4):::::::::::::::::::::::::::::::::::
Net deferred tax liability (asset)	\$ 12.5	\$ (4.0)

The Company has estimated tax basis net operating loss carryforwards of \$360.0 million for federal purposes which expire in the years 2005 through 2008. In addition, the Company has California net operating loss carryforwards of \$170.0 million which expire in the years 2004 and 2008. As of the Emergence Date, the Company experienced a change of ownership which restricts the Company's ability to utilize its net operating loss carryforwards in future years. In addition, the Company has a federal business credit carryforward of \$2.9 million which expires in the year 2004 and an alternative minimum tax credit carryforward of \$1.0 million which carries over indefinitely.

Income tax payments were \$.2 million and \$.1 million in the seventeen and thirty-five week periods comprising the fiscal year ended January 30, 1993, \$.1 million in 1991, \$.2 million in the Transition Period, and \$2.4 million in 1990.

### Extraordinary Earthquake Loss

A significant number of the Company's 22 San Francisco Bay area stores suffered extensive damage as a result of the major earthquake which affected that area on October 17, 1989. Eleven stores were closed for periods of one to eleven days and the downtown Oakland store remained closed until August 1990. The Company maintains earthquake and business interruption insurance with standard deductible provisions that require the Company to incur an initial level of costs at each location subject to damage or interruption of business. In the year ended August 4, 1990, the Company recorded a \$16.5 million extraordinary charge, net of income tax benefits of \$11.0 million, to cover the earthquake related loss in excess of insurance proceeds.

### Accounts Receivable and Credit Operations

29 io Accounts receivable consist of the following: Dubling: and configuration value of distribution of the office, facilities. Leases, are general in the countries of the line of the countries of his registry for the first of the first of the file teneral anuary 30, about 0 October 3, and the February 1, (In millions) lever harring and the season of the season o \$.580.6 6 489.6 Customer receivables 598.6 Other receivables 16.5 597.1 499.2 631.9 Less allowance for doubtful accounts -(16.6)Accounts receivable, net \$ 615.3 152 Wells 126 Weeks 150 W

Other receivables at February 1, 1992 included \$18.3 million due from The Neiman Marcus Group. In accordance with the POR, that receivable was liquidated for \$7.7 million in cash, payment of certain retirement benefits and release of all bankruptcy claims.

Selected credit operations information is as follows:

gnits eq.	Period Ended		YearEnded	Transition Period Ended	Year
	January 30, 1993 (17 weeks)	October 3, 1992 (35 weeks)	February 1, 1992	February 2, 1991 (26 weeks)	August 4, 1990
Credit sales as a percent of gross sales	52.7%	52.0%	53.8%	-56.3%	57.3%
Uncollectible account losses, net of recoveries, as a percent of credit sales	1 2.2%	3.6%	3.1%	2.2%	2.2%

The continued weakness in the California economy, from which approximately 90 percent of the Company's business is generated, has resulted in lower levels of consumer confidence and a decrease in credit sales during the past two years. During this same period, a significant increase in personal bankruptcies, coupled with the lack of sales growth has adversely affected the Company's net write-off experience. Write-offs for the fifty-two weeks ended January 30, 1993 were essentially unchanged from that experienced in the prior year at 3.0 percent of proprietary credit card sales.

### Inventories

The LIFO method of accounting resulted in a credit to cost of goods sold of \$1.9 million for the seventeen weeks ended January 30, 1993 and in charges of \$7.1 million for the thirty-five weeks ended October 3, 1992, \$5.2 million in 1991, \$4.7 million for the twenty-six week period ended February 2, 1991, and \$22.2 million in 1990. If all inventories had been valued on the first-in, first-out ("FIFO") basis, they would have been lower by \$1.9 million at January 30, 1993 and higher by \$79.8 million at February 1,1992, \$74.5 million at February 2, 1991, and \$72.0 million at August 4, 1990.

In accordance with the principles of fresh start reporting, merchandise inventories at October 3, 1992 were restated at fair market value resulting in the elimination of the LIFO reserve at that date.

Leases

Certain Company operations are conducted in leased properties, which include retail stores, distribution centers, and office facilities. Leases are generally for periods of up to thirty years, with renewal options for substantial periods. Leases are generally at fixed rental rates, except that certain leases provide for additional rental charges based on sales in excess of predetermined levels.

Rent expense for each period is as follows:

(In millions)	4 4.84 (;	Period January 30, 1993 (17 weeks)	Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	August 4,
Minimum rent:		\$ 8.2 1 <u>4</u> \$ 866	\$18.0 Sec.		\$ 16. <del></del> 6	\$ 35.5 <u>3.7</u> \$ 39.2

Future minimum lease payments are as follows:

Leases Leases	) <del>-</del>
1993 W. Citi (S. 1974) O. C. Marine Call (C. N. 1974) C. T. A. C.	
1995	
1996	
I nereafter -	
Total future minimum lease obligations \$ 91.5	

Present value, including \$2.9 million current on activities \$ 50.5 attached \$ 159.5

The present value of operating leases is determined by discounting future minimum rent commitments, less assumed executory, and administrative costs, at a 10.0 percent rate that approximates the Company's cost of capital at the Effective Date.

### Property and Equipment

Property and equipment was adjusted to fair market value at October 3, 1992. The revaluation resulted in a net increase in property and equipment of \$283.4 million, including the elimination of all accumulated depreciation.

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# Property and equipment is as follows:

(In millions)	January 30, 1993	October 3, 1992	February 1992	
Land	\$121.7	\$121.7	**************************************	
Buildings and improvemen	nts ::::::::::::::::::::::::::::::::::::	344 4	\$ 37.4 378.1	
Leasehold improvements	19 10 10 18 W. W. 1- 159 4 1 1226 2	Off. 11 58 9	80.0	
Fixtures and equipment:	or	0.0	411.8	
Construction in progress	Why will to 9.6 an stellie	mami 116 A	28.2	13. 13.00 11.00
nrimarily buildings	pital leases, which had the company	and the times to a then		
Revalued leases	1. n. (n. 38.5 n. 66)	10.1/11/141.2:11.3	87.6	3 / / S
	798.0	114.1	1.	
Less accumulated depreci	ation and promision of grant titles	<u></u>	1,023.1	
amortization	7.9		E42 0	
			<u>513.9</u>	
Property and equipment, r	net <u>\$788.1</u>	<u>\$784.8</u>	\$509.2	101 / 101 /

### Capital expenditures were as follows:

(In millions)	Perior January 30, 1993 (17 weeks)	d Ended October 3, 1992 (35 weeks)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	August 4, 1990
New stores Store and support facility	\$	\$	\$ 2.2	\$ 25.7	\$41.7
modernization Purchases of leased stores	21.2	.17.0 <u>∧ ./·</u>	32.7	/12.3 /	36.9 4.6
Total capital expenditures	0 0 \$21.2	<u>\$17.0</u> `	\$ 34.9	<u>\$ 38.0</u>	<u>\$83.2</u>

Expenditures for new stores include acquisition costs of land, buildings and improvements, and related fixtures and equipment. Store and support facility modernization expenditures include renovating, expanding, and re-equipping existing stores and expenditures for improvements and fixtures for office buildings, distribution centers, and other facilities. In addition, expenditures for the purchase of certain properties previously operated under capital or operating leases have been disclosed separately. These properties were subsequently used as collateral for certain long-term debt financing.

# Liabilities Subject to Settlement Under Reorganization Proceedings

Liabilities subject to settlement under the reorganization proceedings were \$600.0 million at the Effective Date on a preconfirmation basis, and \$598.3 million at February 1, 1992. These amounts, which represent the Company's estimate of the ultimate resolution of all unsecured claims filed during the Chapter 11 reorganization process, included \$371.4 million of principal and interest on subordinated debt with the balance comprised of amounts due to trade creditors and lessors. As of the Effective Date, the financial statements reflect the conversion of \$600.0 million of liabilities subject to settlement into 27.6 million shares of Common Stock. As of January 30, 1993, 2.3 million shares of the 27.6 million shares of Common Stock remain to be issued pending resolution of these outstanding claims. The Company is actively negotiating with creditors to resolve the balance of disputed claims totalling approximately \$90.0 million. A significant portion of this amount is comprised

of disputed claims that, in the opinion of management, will not result in the issuance of additional shares of common stock in accordance with the POR.

### Working Capital Facility

On October 8, 1992, a three year facility provided by General Electric Capital Corporation ("GE Capital") replaced the existing debtor-in-possession working capital facility. The new facility provides for up to \$225.0 million in working capital borrowings secured on a first priority basis by substantially all of the Company's tangible and intangible personal property. Interest is computed at a rate equivalent to one and one-half percent above the GE Capital index rate. In addition, the facility includes a commitment fee of one-half percent on the unused portion of the credit line. The facility also requires the payment of administrative fees and line-of-credit fees equivalent to 2.375 percent of the face amount of outstanding letter-of-credit obligations. As of January 30, 1993, \$52.3 million in advances and \$45.1 million in letters of credit were outstanding under the working capital facility.

#### Long-Term Debt

### Long-term debt comprises:

				S. 141 17 11. 11. 2. 1 3. 1	
(enoillim nl)	10 / 10 / 10 / 10 / 10 / 10 / 10 / 10 /	100Y	January 30, 1993	October 3,	February 1,
	·/ × (. 1/2)	Asy isomics to	TATISTOU.	f.Dia run in Electriciani	
Receivables b	pased financing		\$ 467.6	\$ 388.3	\$ 489.3
		152 Wooks)	(35 weeks)	The second of th	
Secured long					
	due in 1999 (3	875	- 1		
	January 30, 1	Land to the state of the state	* \$ 89.7	\$ 89.7 V	\$ 89.7
	notes due 199		09.8		9 09.7
THE STATE OF	The second secon			10/7	
	notes due 199		9.4	<b>9.4</b>	8 (10) 31-31 9.4 71J
	10.2 percent no	otes que			
1997-200			344.0	<u>\$.1\$</u> 344.0	: ibu:: 344.0
	notes due 199	7-2002		53.4	
• Other			<u> 10.1</u>	<u>-10.7</u>	_10.1'
				s sbulani 517.9	453.2
Current por	tion of long-terr	n debtar vi	liper fic471 a. h	16, 01012 .4.7	to the man street and the state of
	Tariff 1 m	penditer esst	ke buo estote gen	die ausgeingerast	
				nns (2 \$ 513.2 11)	\$ 453 2
				and work operated a	
				าดแบอลดีและเลาเกรอดูแดง	시크게, 성격을 다른 에어가 하는 것이 되는 사람이 되어야 하다. 시간에는 보고 되면 걸게 되었다.

On October 8, 1992, a three year \$575.0 million facility provided by GE Capital replaced the postpetition receivables securitization facility. The GE Capital facility provides for Blue-Hawk Funding Corporation, a limited purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and pay for these interests through the issuance of commercial paper.

On December 31, 1991, the Company and Prudential concluded the Prudential Settlement Agreement with respect to the \$344.0 million of notes (the "Existing Notes") due 1993 to 1997. The Prudential Settlement Agreement, which became effective on October 8, 1992, extended the maturity of the notes for five years to October 2002. In addition, previously accrued and unpaid interest and certain other charges totalling \$53.4 million were capitalized into a 9 percent note (the "Accrued Interest Note"). Principal payments on the Accrued Interest Note will commence in October 1997, continuing in equal monthly installments through October 2002. Although the Existing Notes will

continue to accrue interest at the blended contract rate of 10.67 percent during the first two years following the Emergence Date, the Company will only be required to pay interest at a lower rate of 7.5 percent (the "Pay Rate"). The difference between the Pay Rate and the blended contract rate over the two years of \$23.8 million and is being capitalized under the terms of the Accrued Interest Note with principal payments commencing in October 1997 and continuing in equal installments over the remaining life of the notes.

On July 28, 1992, the Company and BofA concluded the BofA Settlement Agreement with respect to the \$89.7 million of term loans due in 1995. The BofA Settlement Agreement, which became effective on October 8, 1992; extends the maturity of the term loans for approximately four years to June 1999. In accordance with the BofA Settlement Agreement, interest from October 8, 1992 through June 30, 1995, will be payable at LIBOR plus .625 percent and thereafter at LIBOR plus 1.25 percent. Previously accrued and unpaid interest on the term loans and other negotiated charges totalling \$10.7 million have been capitalized in a 9 percent note payable in thirty-six equal monthly installments commencing in November 1992.

The following extraordinary net-of-tax gains and losses on retirement of debt are reflected in the financial statements for the three and one half year period ended January 30, 1993: (i) a \$304.4 million gain on debt discharge recognized as of the Emergence Date, on termination of the post-petition working capital and receivables facilities; (ii) a \$16.9 million loss, recognized in the second quarter of 1991, on write-off of unamortized debt issue costs as a result of the replacement of an interim receivables facility established at the time of the filing of the chapter 11 petition; (iii) a \$14.1 million loss recognized in the Transition Period ended February 2, 1991, which includes net-of-tax charges of \$6.2 million for the write-off of unamortized costs and prepayment penalties incurred with respect to the early retirement of debt secured by Thalhimer properties and \$7.9 million for the write-off of unamortized costs incurred with respect to the Company's pre-petition working capital and receivables securitization facilities which were terminated as a result of the filing of the chapter 11 petition.

Principal maturities of long-term debt payable over the next five years, exclusive of borrowings under the post-emergence receivables securitization facility, are \$4.1 million in 1993, \$4.4 million in 1994, \$6.7 million in 1995, \$5.6 million in 1996, \$10.2 million in 1997, and \$488.7 million due thereafter.

Long-term debt of \$519.8 million is secured by property with a net carrying value of \$480.1 million.

The Company's debt agreements include restrictions on capital expenditures and covenants for minimum aggregate net cash flow and earnings before interest, taxes, depreciation and amortization.

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### Retirement Plans

The Company has two qualified noncontributory pension plans covering substantially all employees. Employees who have completed one year of employment, are at least 21 years of age, and are not covered by a collectively bargained pension plan, are covered by the plans and become vested for benefit purposes after completing five years of employment with the Company. The Company also has unfunded nonqualified pension plans covering certain employees and directors. The Company contributes at least the actuarially determined minimum amount necessary to fund participants' benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The following table summarizes pension expense and funded status of the plans, as determined by the Company's actuary, together with an analysis of the significant actuarial assumptions used:

of the sound in the sound of th	110 4 111	ded -	Year	Transition	Year
(Dollar amount in millions)	January 30, 1993 (17 weeks)	October 3, 	February 1	February 2,	Ended August 4, 1990
Net periodic pension expense periodic pension expense periodic pension expense pension assets of plans.  Net amortization (deferral)  Net expense pension expense pension pens	1.3 4.7 (4.9) 3.1 3.1 (4.0)	8 (166.1) 8 (4.9)	\$   14.0   (14.1)   7.9   11.5   (4.5)	3 (130.8) (130.8) (130.8)	(53 weeks) 8 5.6 (4.0) (4.0) 8 (159.4) (4.7)
Additional amounts relating to projected compensation increase Actuarial present value of projected benefit obligation.  Market value of plan assets	(11.1) (182.2) 102.9	(17).0) (12.1) (183.1)	(166.2) (183.0) 1 94.4	(137.6) (153.0) 80.8	(164.1)
Funded status Unrecognized net (gain) loss 1: 9(1) 10 () () Unrecognized net obligation at initial date of application of SFAS No. 87- Unrecognized prior service costs Additional minimum liability recognized under SFAS No. 87	77:5/1 B/1	rinated as a re n debt payable, securitization	25.8	28.0	(85.7) 29.9 33.1 3.9
Pension liability.	(83,3)	<u>\$ (85.7)</u> . no.	(71.8) G	\$ (56.8)	\$ (65.9)
Significant actuarial assumptions  Discount rate  Long term rate of return on assets;  Projected rate of compensation  increases	8.5%	893 3 <b>8.6%</b> 7 610 (1156 <b>9.5</b> )6 170	9.00 <b>8 59</b> 44/201	9.5% 9.5	9.5% 11.0

As of January 30, 1993, the \$79.3 million unfunded projected benefit obligation consisted of \$46.2 million relating to the qualified plans and \$33.1 million relating to the nonqualified plans.

Certain retired employees also receive health care and life insurance benefits which are subsidized to varying degrees by the Company. The post-retirement medical benefits are available only to employees who had retired or were eligible to retire by August 1, 1991 and who had met all other plan eligibility requirements. A life insurance benefit of \$1,000 per employee is provided by the Company to all eligible current and retired employees. Additional life insurance benefits are also available for a select group of executives. The executive life benefits were amended effective January 1993, to reduce the amount of coverage post-retirement, based on age. The amendment which applies to both current retirees and eligible plan participants has been reflected as a reduction to the January 30, 1993 accumulated benefit obligation and will be amortized to earnings over a ten year period representing the average period to full eligibility for active participants eligible for this benefit.

The following table summarizes the expense and the accumulated benefit obligation for these plans.

		Period	Year Ended			
in the state of th	(17)	30, 1993 veeks)	(35	r 3, 1992 " weeks)	all the second s	y 1, 1992 weeks)
(In millions)	Medical	Life	Medical	Life	Medical	Life Insurance
Net post-retirement benefit expense		7				
Service cost :: ::: :::::::::::::::::::::::::::::	3 \$ 115 W	and beam	.\$ 16	\$ .2	\$	\$ .2
Interest cost		.L.329.	1.5		2.3	.4
Net expense	<u>\$ .7</u>		\$' 1.5	\$ .5	\$ 2.3	\$ .6
Accumulated benefit obligation						
Retirees • •	\$(24.7)	\$ (3.0)	\$(24.8)	\$(4.0)	\$(25.0)	\$ (3.9)
Fully eligible active plan participants	(1.2)	n legal acti		i.bng.al.	<u>.</u> (1.2)	(1.2)
Other active plan participants	(.1)	(.4)	(.1)	(.7)		(.7)
Unrecognized prior service cost		(1.9)				
Unrecognized net loss	1					
Accrued post-retirement benefit liability	<u>\$(25.9</u> )	<u>\$`(5.9</u> )	<u>\$(26.1)</u>	<u>\$(5.9)</u>	<u>\$(26.2)</u>	<u>\$ (5.8)</u>

The post-retirement medical and life insurance benefits are provided under nonqualified plans. The accumulated benefit obligation represents the present value of expected future payments discounted at an eight and one-half percent rate. Medical inflation has been projected at a blended rate of fifteen percent per annum from fiscal 1992, declining ratably over the next ten years to a long term rate of approximately seven and one-half percent per annum. The effect of a one-percentage-point increase in the assumed medical cost trend rate would be to increase the net periodic medical plan expense by \$.1 million and to increase the related accumulated benefit obligation by \$1.7 million.

In prior years, the cost of retiree health care and life insurance benefits was recognized as expense when paid. Benefit payments were \$.9 million during the Transition Period and \$2.8 million in 1990.

Destruction of the district to Many in the

A 401(k) savings and investment plan is available to substantially all employees who have completed one year of service. No matching contribution was made by the Company to this plan for periods subsequent to the Petition Date. As a result of changes to the plan subsequent to year end, the Company will again make matching contributions in the form of shares of new common stock at a rate of 25 percent of participant contributions effective for periods commencing April 1993.

A prepetition claim of \$.9 million for Company contributions accruing to the plan for the period October 1, 1990 through the Petition Date was approved for payment by the POR and has subsequently been contributed to participant accounts in the form of cash. During fiscal 1990, the Company also made \$3.7 million of contributions to the plan in the form of stock.

At January 30, 1993, the plan held .7 million shares of Common Stock representing 2.1 percent of common shares issuable under the POR and .7 million shares of preferred stock representing 64.7 percent of preferred shares issuable under the POR.

Employee Stock Incentive Plans Francisco Colors Carports Colors C

As of the Effective Date, the Company adopted a new long-term incentive compensation plan designed to attract and retain top-quality management for the reorganized Company. The plan, among other things, provides for the issuance of stock options at an exercise price that is generally not less than the market value of the common stock on the date of grant, or a threshold price of \$10.22. During the 17 week period ended January 30, 1993, 3.1 million options were issued at a grant price of \$10.22. The options, which vest in one-third increments over three years, are exercisable over a ten year period, generally beginning one year from the date of grant. As of January 30, 1993, none of the options issued were exercisable.

In accordance with the POR, all rights and benefits earned under the stock incentive plans in existence prior to the Effective Date were cancelled.

Contingencies

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The Company is a defendant in certain legal actions subsequent to the Petition Date. In the opinion of management, the disposition of these actions will not have a material adverse effect upon the Company's financial position or results of operations. All pre-petition actions are subject to settlement in accordance with the POR.

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Common Stock

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Pursuant to the POR, effective October 8, 1992, all existing shares of Old Common Stock were converted into 2:4 million shares of Common Stock and a combined total of 2.5 million in warrants or shares of convertible preferred stock. Unsecured claims were converted into approximately 27.6 million shares of Common Stock. In addition, in accordance with the POR Zell/Chilmark and an institutional investor each acquired an additional 2.5 million shares of new common stock at a price of \$10.00 per share.

In addition, subsequent to the Effective Date, 80,000 shares of Common Stock were issued as bonus compensation to certain professionals engaged in the Chapter 11 proceedings, and a total of approximately 134,000 shares of Common Stock were issued to employees. In December 1992, all eligible employees received ten shares of Common Stock each as a result of this stock issuance.

The accompanying financial statements reflect the issuance of all shares of Common Stock, preferred stock, and warrants contemplated by the POR. As of January 30, 1993, 32.7 million shares of Common Stock, 1.0 million shares of preferred stock, and 1.2 million warrants had been issued and were outstanding in accordance with the POR, inclusive of all additional Post-reorganization Period issuances of Common Stock. At January 30, 1993, the Company's authorized Common Stock consisted of 100 million shares, \$.01 par value of which 3.9 million shares were reserved under the employee stock incentive plan, 1.5 million shares were reserved for purchase by and contribution to the Company's 401(k) savings and investment plan and 2.5 million shares were reserved for purchase by warrant holders.

The Company's ability to pay dividends on its Common Stock is restricted pursuant to the terms of the post-reorganization credit facilities and the BofA Settlement Agreement. As a result, the Company does not expect to pay common stock dividends for the foreseeable future.

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Preferred Stock and Warrants

Pursuant to the POR, shares of Series A exchangeable preferred stock, par value \$.01 ("Preferred Stock") or warrants to purchase shares of Common Stock ("Warrants") were issued to existing holders of Old Common Stock at a rate of .084 for each share of Old Common Stock held. The Company does not intend to have the Preferred Stock listed for trading on any national securities exchange or other national automated quotation system. The Warrants have been registered and listed for trading on the New York and Pacific Stock Exchanges.

At the option of the holders of Preferred Stock, shares of Preferred Stock are exchangeable on a one-for-one basis for Warrants to purchase Common Stock. The Company does not expect to ever pay a dividend with respect to the Preferred Stock. In the event of dissolution, liquidation, or winding-up, the holders of Preferred Stock are entitled to a liquidation preference of \$0.25 per share from assets remaining after the full satisfaction of the prior rights of creditors. As of January 30, 1993, the authorized Preferred Stock of the Company consisted of twenty-five million shares, of which 1.1 million shares were issued and outstanding in accordance with the POR.

Each Warrant entitles the holder any time prior to the close of business on October 8, 1999, to purchase a share of Common Stock at a purchase price equal to \$17.00 per share, subject to adjustment from time to time. In the event the market price of the common stock equals or exceed \$25.50 per share for 30 consecutive trading days, the Board of Directors, after the passage of 30 months from October 8, 1992, may, upon 75 days notice, shorten the exercise period to end on a date earlier than October 8, 1999.

Faring ants in the 198 seed of 1990 seed of

Atty The 1987 Stock Incentive Plantprovided for the issuance of stock purchase fights to eligible participants. In compaction with the exercise of such stock purchase rights, participants were issued shares of Old Continuon Stock is exchange for non-roceurse notes. The notes were reflected as a reduction in shareholders' equity, Pursuant to the POR, the stock rights and from recourse notes were called on the Emergence Date.

-(2) in September 1990, the Company inadex loan of \$104,000 to Mr. John M. Gailys, Executive Vice President and Chief (inancial Office) of the Company. The loan Was repaid prior to M. Cully: resignation from the Company in fiscal 1991.

SCHEDULE II ACCO	UNTS RECEIVA	RIE EROM P	ELATED DADTIE	
were issued to	1 10 2 270		ELATED PARTIE	Sitting.
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assimuose Isnoitent	in the same	Harli .		e annimorie benede
Librail brief benefeigning	Balance at	maireran	m ims	Balance
(In thousands)	DeAil II III I	300: 11: 11: 11: 11: 11: 11: 11: 11: 11:	in a line proving	at End
Seventeen weeks ended	nomm)	10710°.	at in the state of	(
Thirty-five weeks ended October 3, 19	92	iofilia	teadure of their	Crustia de la como
Fiscal year ended February 1, 1992 Participants in the 1987 Stock Incentive Plan (1) John M. Gailys (2)	\$ 9.187 \$ 104	if (f) 15 (15)	8 (115) 8 (104)	
Twenty-six week period ended February 2, 1991	ays រាជប្រែចុះ ទព្វឲ	ay, cayon 75 a	re City i de la company	
Participants in the 1987 Stock				
Incentive Plan "	\$10,465	<b>8</b>	\$ (1,278)	<u>\$ 9,187</u>
John M. Gailys (2)	8	\$ 104	8 -	\$ 104
Fiscal year ended August 4, 1990 Participants in the 1987 Stock				
Incentive Plan "	\$12,198	<u>8 173</u>	\$ (1,906)	\$10,465

- (1) The 1987 Stock Incentive Plan provided for the issuance of stock purchase rights to eligible participants. In connection with the exercise of such stock purchase rights, participants were issued shares of Old Common Stock in exchange for non-recourse notes. The notes were reflected as a reduction in shareholders' equity. Pursuant to the POR, the stock rights and non-recourse notes were cancelled on the Emergence Date.
- (2) In September 1990, the Company made a loan of \$104,000 to Mr. John M. Gailys, Executive Vice President and Chief Financial Officer of the Company. The loan was repaid prior to Mr. Gailys' resignation from the Company in fiscal 1991.

#### CARTER HAWLEY HALE STORES, INC. SCHEDULE V -- PROPERTY AND EQUIPMENT

	Balance at			Sales and	Balance
In thousands	of Period	Additions at Cost	Datiramanta	Other	at End
Seventeen week period ended January 30, 1893:	<u>51 1 01100</u> //	at Cust	Retirements	Changes <sup>(1)</sup>	of Period
Land :	\$ 121,691	g granadydd	\$ &	\$	\$ 121,891
Buildings and improvements	344,412	<b>.</b>		4,478	348,888
Leasehold improvements	58,928		(3,712)	4,188	59,400
Fixtures and equipment	88,118		(719)	18,449	103,848
Construction in progress	18,410 5	21,190		(28,038)	ti 9,582
Leased properties under capital leases, primarily,				-31 (E0,000)	.ti . į,t 8,002
buildings	41,161		(2,679)	_	38,482
Revalued leases	114,116				114,145
	\$ 784,833	\$ 21,190	\$ (7,110)	\$ (2,927)	Difference of the same of
Thirty-five week period ended October 3, 1892:				3077	795,988
Land	\$ 37,387		\$	84,304	\$ 121,691
Buildings and improvements	378,057		(5,643)	(28,002)	344.412
Leasehold improvements	80,057			(21,131)	58,828
Fixtures and equipment	411,763	9130,205	(332)	(323,313)	88,118
Construction in progress	28,225	17,052		(28,887)	18,410
Leased properties under capital leases, primarily					
buildings	87,841	317,940		(46,480)	41,181
Revalued leases				114,115	114,115
	\$1,023,130	\$ 17,052	\$ (8,975)	\$ <u>[249,374</u> ]	\$: 784,833
Fiscal year ended February 1, 1992:	Friedling.				
Land	\$ 38,248	8	\$ 2661	9 6141	* \$ 37,387
Buildings and improvements	358,537	9121,582 - 5		19,520	378,057
Leasehold improvements	78,838	17,7%4		3,218	80,057
Fixtures and equipment	383,734	303,698		- 18,029	411,763
Construction in progress	41,760	34,850	los	iquo (48,385)	28,225
Leased properties under capital leases, primarily	23.5.5	48,582		Stutituis Actual	175.
buildings	98,191	\$ 5533 818	(3,300)	(5,250)	87,641
	\$1,003,308	34,850	\$ (3,300) t	onbris (11,728)	\$1,023,130
Twenty-six week period ended February 2, 1991:		. 6137,787			
Land	\$ 47,350		<b>∕</b> •	E31:5\$ (11,104)	\$ 36,248
Buildings and improvements	389,429	21,4/5	·	(30,892)	358,537
Leasehold improvements	88,474 €	334,253		(9,636)	78,838
Fixtures and equipment	447,403			igas 1: (53,669)	393,734
Construction in progress	67.705	37,089.	(2,210)	30'1it (81,724)	41,780
Leased properties under capital leases, primarily	36. 51	\$542,873		-	
buildings	100,638	***************************************	; , <u> </u>	(4,445)	98,191
	\$1,138,897 · 3	37,889	12,210	2171.470	\$1,003,306
Fiscal year ended August 4, 1990: ( (	2,667	22,717		aling.	
Land Buildings and improvements	\$ 48,915: as	- 316,210		435	<b>47,350</b>
	351,881			37,438	389,429
Leasehold improvements	83,284 &	57,50°	(4,270)	<111-1-1-7,489	88,474
Fixtures and equipment	440,641), 12	in the second second	(8,745)	13,807	447,403
Construction in progress	38,031	83,220		(53,546)	87,705
Leased properties under capital leases, primarily buildings	110 000				
	118,022	Company Chile	1011 (887) old		100,836
in the purp	\$ <u>1,078,784</u>	83,220 19 10 to	2, 1118111	CU: (8,076)	\$ <u>1,138,997</u>
그 그 아이는 그는 그는 그는 그 그 사람들이 없는 것 같아 나는 것 같아. 그는 것 같아. 그는 것 같아. 그는 것 같아. 얼마나 없는 것 같아. 얼마나 없다.	The state of the s		The Real Property	titue 20 it - 11 '	A CONTRACTOR OF THE PARTY OF TH

<sup>(1)</sup> Sales and other changes reflect the following items:

- Effective October 3, 1992, the adjustment required to record property and equipment at fair value in accordance with the Reorganization Statement. which beardoned and tendent of him transfer to the properties brothe court.

Fixed asset sales completed during the period."

Write-off of assets in connection with lease rejections completed during the year ended February 1, 1992.

Reclassification of costs from construction in progress for projects completed during the period.

Reclassification of costs relating to properties purchased during the period which previously were operated under capital leases.

#### CARTER HAWLEY HALE STORES, INC. SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

273,691 218,930	In thousands	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Sales and Other Changes <sup>(1)</sup>	Balance at End of Period
Seventeen	week period ended					
January 30	그렇게 되었습니다. 하나 하는 사람들은 사람들은 살아내는 이번 이 경험에 가지 않는 것이 없어요. 그렇게 되었습니다.					
	and improvements	\$ Lui,15_	\$ 2,459	8	\$ Juni	\$ 2,459
	improvements/		559	(45)	1896 - 1997 - 1915 - 1	514
	ind addipmant		3,880	(47)	_	3,833
	operties under capital	\$ 1.1.160	756 <sup>-11</sup>	(32)		724
Revalued	loases		327	livit	t is in O. bakan b	327
	75.613c	• <u>•</u>	\$ 7,981	8 (124)	8	\$ <u>7,857</u>
Thirty-five October 3,	week period ended		Velti in			
and the same of th	and improvements	\$130,205	\$ 5,823	\$ (2,588)	A (122 A 44)	<b>1</b> 0
	improvements	20,893	1,644	. 4 (2,080)	\$ (133,442)	· • · · · · · · · · · · · · · · · · · ·
	nd equipment	317,940	12,435	/O7\"	(22,537)	
	operties under capital		9.1.19	(87)	(330,288)	g. 1
	rimarily buildings	44,903	1,577		(46,480)	
	<u>v</u> .c:	\$513,941	\$ 21,479	\$ (2,673)	\$ (532,747)	<del></del>
Fiscal year	ended February 1, 1992					-
		\$121,592	\$ 8,613	\$	\$	\$130,205
Leasehold	improvemente	17,744	2,479		670	20,893
Fixtures a	nd equipment	303,698	19,180		(4,938)	317,940
	operties under capital		I.S. I.S.			
leases, p	rimarily buildings	48,582	2,450	(3,300)	(2,829)	44,903
_		\$491,616	\$ 32,722	\$ (3,300)	\$(7,097)	\$513,941
Twenty-six February 2,	week period ended (000 c) 2	₩êş, <u>Neş, £</u>	008 600 (c			
Buildings &	ind improvements	\$137,787	\$ 3,910	8	\$ (20,105)	\$121,592
Leasehold	improvements	21,475	1,210		(4,941)	17,744
Fixtures ar	nd equipment	334,253	9,344		(39,899)	303,698
Leased pro	perties under capital		447.362			
leases, p	rimarily buildings	49,158	1,324		(1,900)	48,582
		\$542,673	\$ 15,788	\$	(66,845)	\$491,616
Fiscal year	ended August 4, 1990	· · · · · · · · · · · · · · · · · · ·	ars unt			7 7
A NAME OF THE OWNER OWNER OF THE OWNER OWNE	nd improvemente	\$119,357	\$ 8,703 BELIE	\$	9,727	\$137,787
	improvements	22,717	2,667	(2,913)	(996)	a 21,475 :
	d equipment	316,210	26,535	_ (6,052)	(2,440)	334,253
	perties under capital		- 100,175		A Property of the State of the	
China pr		<u>57.504</u>	3,132	(710)	(10,768)	49,158
	(6,7,5)	\$ <u>515,788</u>	\$ 41.037(1)	\$ (9,675) <b>(</b>	(4,477)	\$642,673
		03,1,6	23,031	24		a North write and

Sales and other changes reflect the following items:

"TEEL of Antitud form was and the first completion among the count for the contract the contract the contract that che inca o de geneth, betolognos arrojona note do genegiá contectiones es eneciament. And inferior condeserged in the state of the property of the country and the country and property of the contract of the country of the countr

Effective October 3, 1992, the adjustment required to record property and equipment at fair value in accordance with the Reorganization Statement.

Fixed asset sales completed desing the period.

Write-off of assets in connection with lease rejections completed during the year ended February 1, 1992.

Reclassification of costs from construction in progress for projects completed during the period.

Reclassification of rosts relating to properties purchased during the period which previously were operated under capital leases.

# SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In thousands)	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Accounts Charged off/Less Recoveries	<u>Other</u>	Balance at End of Period
Seventeen week period ended January 30, 1993 Allowance for doubtful accounts	\$ <u>14,583</u>	\$ <u>14,133</u>		1017) 	
Thirty-five week period ended October 3, 1992 Allowance for doubtful		1) 1) (1)	n () <b>\$25,271</b>	8 972	
Fiscal year ended February 1, 1992 Allowance for doubtful				1.01	
Twenty-six week period ended February 2, 1991	\$ <u>13,355</u>	e f s	**************************************	\$	\$ <u>16,605</u>
Allowance for doubtful accounts	\$ <u>11,228</u>	\$ <u>21,759</u>	\$ <u>17,719</u>	\$ (1,913) <sup>(2)</sup>	\$ <u>13,355</u>
Allowance for doubtful accounts	\$ <u>10,406</u>	* <u>39,809</u> (1	drif ( <b>\$38.987</b> )	rasies Sincing	\$ <u>11,228</u>
(1) Adjusted to fair value in conjunction with the					
(2) Elimination in conjunction with the	and drive	t tur those inte	oso curouration vobies and pay	<u></u>	
v instrum Istina	- Working C	acitivesseng sv	r the Compony	abra v aportoro ne je ah	_ '{ë\
ivables facility through out is a Section ration of the Constant of the consta	flaceivatiolo on, wholly dit card bac	Teafter. The your composation of the contraction of	ion-Fability the a harisod-pun in mivotoly-old	Solies Fredrich at Leich auch eine Koren.	
and recoivables accuritization cility puses. The facility promotion for the vinh the Company, to acquire interests a through the issuance of company.	ntation pur affiliated v	tarcement, prose	tor financial social social social social composes.	ed as long-term debt	::::::::::::::::::::::::::::::::::::::
pikal fooility.			r the Compan	tiae spainanca ane	291Q::: (3)

# CARTER HAWLEY HALE STORES, INC. SCHEDULE IX -- SHORT-TERM BORROWINGS

	SOUEDOFF IX 21	JOK I - II FKIN R	ORROWINGS	2/	
(Dollar amounts in thousands)	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period(1)	Average Amount Outstanding During the Period <sup>(2)</sup>	- Weighted Average Interest Rate During the Period <sup>21</sup>
Seventeen week period ended				<u></u>	Tellog
January 30, 1983				¥ Nuls	
Borrowings <sup>0</sup> ,		7.5%	<b>\$136,000</b>	<b>* 75,038</b>	7.5%
Receivables Securitization Facility(4)	487,577	4.3	519,120	442,269	4.6
Thirty-five week period ended					A Material
October 3, 1892					illi vici. 'A.
Borrowings	90,800°	. 1 E 7.601 SEC	111.0005	58 7956)	1160. 1. 7.751
Receivables Securitization Facility	388,306 <sup>M)</sup>	4.3*1	489,254 <sup>(tt)</sup>	418,868(1)	7.6(*)
Fiscal year ended February 1, 1992					
Bank borrowings <sup>61</sup>	37,000	8.0	130,000	36,876	8.1
Receivables securitization facility(6)	489,254	11.5°7.4 2007			(11).) 6.9
Twenty six week period ended				100,000	-
February 2, 1991					
Bank borrowings <sup>(a)</sup>			93,000	73,695	115
Receivables securitization				70,000	
facility <sup>(7)</sup>	633.798	76	723,088	679,781	0.0
Fiscal year ended August 4, 1990	Star A. A.	1x122 - 0.934.	THE. 18	0/0,/01	, H) 0.0
Bank borrowings (8)	40,000	11.4	93,000	27 111	
Receivables securitization facility(7)	678 648	87	797 702	37,111 701,457	11./
	• • • • • • • • • • • • • • • • • • • •	0.7	7 101,102	/01,40/	8.1

- (1) The maximum amount outstanding during the period is determined on the basis of the amounts outstanding at any month end.
- (2) The average amount outstanding during the period and the weighted average interest rate during the period are computed on the basis of daily balances.
- (3) Represents borrowings under the Company's postemergence Working Capital Facility.
- (4) Represents borrowings under the company's postemergence receivables securitization facility provided by General Electric Capital Corporation. The three year, \$575.0 million facility provides for Blue Hawk Funding Corporation, a special purpose corporation not affiliated with the Company to acquire interests in the Company's credit card receivables and pay for these interests through the issuance of commercial paper. Borrowings under this Facility are classified as long-term debt for financial statement presentation purposes:
- (5) Represents borrowings under the Company's postpetition Working Capital Facility.
- (6) Represents borrowings under the Company's postpetition Interim Receivables Facility through July 1991 and the Receivables Securitization Facility thereafter. The Receivables Securitization Facility provided for Camelback Funding Corp., a limited-purpose corporation, wholly owned by the Company, to issue concurrently \$200.0 million in privately-placed 8.75% credit card backed notes and up to \$363.5 million in commercial paper. Borrowings under these facilities were classified as long-term debt for financial statement presentation purposes.
- (7) Represent: Larrawings under the Company's prepetition credit card receivables securitization facility, classified as long-term debt for financial statement presentation purposes. The facility provided for CHH Commercial Paper, Inc., a special purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and pay for those interests through the issuance of commercial paper.
- (8) Represents borrowings under the Company's prepetition working capital facility.

# SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

16.22	(In thousands)				Advertising Costs <sup>(1)</sup>	
	1992 (17 Weeks) 1992 (35 Weeks) 1991 (52 Weeks)			(6) !\$	\$31,631 47,911 72,902	
c c	1991 Transition Period (2 1990 (53 Weeks)	26 Weeks)	\$ 7.7.5 \	ns4.2	46,333 86,257	ronk comment of the
2 2 2			:: No. 12.	The Section of		
6.98	1) Advertising costs char		18.18.	12.01	7.7.7.1	
		T C C C C	367.7	(ö.avi)	* ()(:)=	arecite as inner sulf and empore
<b>1</b>		3.61	1.21.1.0	(3: ) ( )	(7, (1, )	in all points to the last the second
(``)						normatos indicasi, or himis

- (1) The filter delicated property as of detectors. 1992 follow the lapace of the Company of the company of decimal and an area of the particular of the property of accordance with the Rent and the company of the Rent and the company of the com
- (2) is onlativation income (costs) include protectional face and other expenditures directly related to the Tlenc value manned during the 35 week period ended Outober 3, a 982, and as at the Streetive Late, the respondent of a 58.5 million provision for settlement of dispured claims and a 3806, 4 million sejections and liabilities in sociological to settlement to the settlement of a sociological settlement of a sociological settlement of a sociological settlement of a sociological settlement.
- (2) The booms ray behavior of \$6.8 million recognised in the 9 week anial ended October 3, 1992 a file to the come is at exacting the reserves on a favorable rescitation of income tax audits for tax y are the the total or an income tax audits for tax y are the total or \$15.6 million for the Post-recipalization Period reflects stare and tederal takes are through to that period.
  - (d) The extraordinary gain of 5204. A million refuelts the gain on debt discharge recognized at the
- in the chair of in accounting of \$16.6 million reflects the adoption, as of the Effective Date, of that here of Single-1 Accounting Standards No. 109." Accounting for Income Taxos. The results for a secretar to respect the commissive office of the change.
- ice. Per shair dute for periods order to Decober 3, 1992 have been amounted at these amounts to not recast the

# QUARTERLY INFORMATION (unaudited)

	Period Ended <sup>(1)</sup>						
(Dollar amounts in millions).	May 2, 1992 (13 weeks)	August 1, 1992 (13 weeks)	October 3," 1992 (9 weeks)	October 3, 1992 (35 weeks)	October 3.1; 1992 (4 weeks)	January 30, 1993 (13 weeks)	January 30, 1993 (17 weeks)
1992 Sales	\$433.6	\$481.4	\$ 333.0	\$1,248.0	\$157.3	\$732.5	
Percent change from prior year Total sales basis Comparative store sales basis	. () . () . () . ()	(2.9)	(2.7) (1.9)	(1.6) (0.9)	(5.4)	5.7 5.5	3.5
Finance charge revenue	22.6 €	20.0	12.8	55.4		20.8	
Cost of goods sold, including occupancy and buying costs	316.8	354.2	267.8	938.8	es) coneq	/\dialia (  \\\519.9	638.2
Selling, general, and administrative expenses	133.8	134.9	-93.9 <sup>-</sup> /	362.6	43.5	168.5	210.0
Interest expense, net	22.4	22.5	<u>15,3</u>	60.2	7.1		_29.6
Earnings (loss) from operations before reorganization items and taxes			leozif aut m		ignation etac		
Reorganization income (costs)(2)	- (16.8)	(10.2)	(31.2)	(58.2)	(5.1)	44.4	39.3
Income tax benefit (expense)(3)	(3.6) 	(4.4)	892.1 <u>898</u>	884.1 		(16.6)	<u>(16.6)</u>
Earnings (loss) from operations .	(20.4)	(14.8)	867.7	832.7	(5.1)	27.8	22.7
Extraordinary gain <sup>(4)</sup>			304.4	304.4			
Change in accounting <sup>(6)</sup>	<u>18.8</u> -			<u>18,8</u>			
Net earnings (loss)	<u>\$ (1.6)</u>	\$ (14.6)	<u>\$1,172.1</u>	<u>\$1,155.9</u>	<u>\$ (6.1)</u>	<u>\$ 27.8</u>	\$ 22.7
Earnings (loss) per common share <sup>(6)</sup>					<u>\$ (.15)</u>	<u>\$ .79</u> .	\$ .65

- (1) The financial statements prepared as of October 3, 1992, reflect the impact of the Company's reorganization and were prepared utilizing the principles of fresh start reporting in accordance with the Reorganization Statement. The application of fresh-start reporting significantly affected the comparability of certain Pre- and Post-reorganization Period income and expense elements.
- (2) Reorganization income (costs) include professional fees and other expenditures directly related to the Filing which were incurred during the 35 week period ended October 3, 1992, and as of the Effective Date, the recognition of a \$8.5 million provision for settlement of disputed claims and a \$906.4 million adjustment to fair revalue to reflect the valuation of assets and liabilities in accordance with the Reorganization Statement.
- (3) The income tax benefit of \$6.8 million recognized in the 9 week period ended October 3, 1992 reflects the reversal of existing tax reserves on a favorable resolution of income tax audits for tax years through July 1990. The tax provision of \$16.6 million for the Post-reorganization Period reflects state and federal taxes at statutory rates on pre-tax earnings for that period.
- (4) The extraordinary gain of \$304.4 million reflects the gain on debt discharge recognized at the Emergence Date.
- (5) The change in accounting of \$18.8 million reflects the adoption, as of the Effective Date, of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." The results for the first quarter were restated to reflect the cumulative effective of the change.
- (6) Per share data for periods prior to October 3, 1992 have been omitted as these amounts do not reflect the current capital structure.

# QUARTERLY INFORMATION (unaudited)

(Dollar amounts in millions)—	was strong Reriod Ended						
	May 4, 1991 (13 weeks)	August 3, 1991 (13 weeks)	November 2, 1991 (13 weeks)	February 1, 1992 (13 weeks)	February 1, 1992 (52 weeks)		
1991		TO SERVICE AND THE SERVICE					
.Sãles	\$430.1	\$495.9	\$ 508.7	\$ 693.2	\$2,127.9		
Percent change from prior year <sup>(1)</sup>							
Total sales basis	(13.5)%		(10.2)%	(7.8)%	(9.4)%		
Comparative store sales basis .	(15.5)	(8.5) (8.5)	(9.4)		(9.9)		
Finance charge revenue	24.9	23.3		'Cirke <b>23.1</b>	94.0		
Cost of goods sold, including occupancy and buying costs	321.9	371.0	6.8 lb. 375.7	A	1,581.1		
Selling, general, and administrative expenses		Languages of b	den grani int),	CC.			
			140.6		570.5		
Interest expense, net	And the second s		11 <u>07 23.2</u> 11.	7	! <u>= 102.3</u>		
Earnings (loss) from operations before reorganization costs	(24.4)	(11.1)	(8.1)	116	(32.0)		
Reorganization costs(2)	(8.0)	<u>(7.3</u> )	(8.9)	(113,9)	i i i i i i i i i i i i i i i i i i i		
Loss from operations <sup>(3)</sup>	and the second street of the second second		ilian in the same and		<u>(138.1)</u>		
Extraordinary costs	Honer - Security	ite via ovi	(17.0)	(102.3)	(170.1)		
Change in accounting <sup>(4)</sup>		(10.9)	S		(16.9)		
					(30.0)		
Net loss <sup>(6)</sup> i v ilwali mim ) ?	\$ (62.4)	<u>\$ (35.3)</u>	<u>\$ (17:0)</u>	<u>\$(102.3)</u>	<u>\$ (217.0)</u>		
P. S. Visinde'i.b	tor the cont	d-Oi mart of c	of Persiditions	· · · · · · · · · · · · · · · · · · ·			

(1) Sales decrease on a comparative 12 month basis excluding 1990 sales of Thalhimers which was sold.

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- (2) Reorganization costs for the fourth quarter include a \$65.0 million provision for the consolidation of the Company into a single operating entity and a \$34.0 million charge for settlement of certain disputed claims and valuation adjustments to reflect the effect of the Reorganization Case on the amounts realized for certain assets.
- (3) The Company recorded no income tax benefit from operations in 1991 as a result of limitations on its ability to utilize net operating loss carryforwards.
- (4) During the fourth quarter, the Company-adopted Statement of Financial Accounting Standards
  No. 106 "Employers' Accounting for Post-retirement Benefits Other than Pensions." The results
  for the first quarter were restated to reflect the cumulative effect of the change.
- (5) Per share data has been omitted as these amounts do not reflect the current capital structure.

Exhil	it INDEX TO EXHIBITS
<u>No.</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of the Company; incorporated by reference to Exhibit 4.2 to the Form S-8 filed February 17, 1993.
3.2	
4.1	on waitant Agreement
4.2	Form of Certificate of Designation, Preferences and Rights of Series A Exchangeable Preferred Stock of the Company; incorporated by reference to Exhibit 4.3 to the Form S-8 dated February 17, 1993.
4.3	Loan Agreement dated as of August 27, 1987, among The Prudential Insurance Company of America, Carter Hawley Hale Stores, Inc. and Thalhimer Brothers, Inc. with respect to \$350,000,000; incorporated by reference to Exhibit 4.5 to the Form 10-K for the twenty-six weeks ended August 1, 1987.
(0.2:E)	Amendment to Loan Agreement and Notes dated as of June 30, 1988 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and The Prudential Insurance Company of America; incorporated by reference to Exhibit 4.4 to the Form 10-K for the year ended February 1, 1992.
<b>4.5</b>	Amendment to Loan Agreement, Notes and License Agreement dated as of August 3, 1990 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and The Prudential Insurance Company of America; incorporated by reference to Exhibit 4:5 to the Form 10-K for the year ended February 1, 1992.
4.6	Agreement and Release dated as of December 14, 1990 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and the Prudential Insurance Company of America; incorporated by reference to Exhibit 4.6 to the Form 10-K for the year ended February 1, 1992.
4.7°	Settlement Agreement dated as of December 31, 1991, among Carter Hawley Hale Stores, Inc., The Prudential Insurance Company of America, Zell/Chilmark, Fund, L.P., and Z/C Subsidiary Corporation.
4.8	to \$135,000,000.
4.9	Modification Agreement dated as of November 28, 1988 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.8 to the Form 10-K for the year ended February 1, 1992.
4.10	First Amendment to Term Loan Agreement dated as of December 30, 1988 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.9 to the Form 10-K for the year ended February 1, 1992.

Second Amendment to Term Loan Agreement and Waiver dated as of May 31, 1989 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.10 to the Form 10-K for the year ended February 1, 1992. Third Amendment to Term Loan Agreement dated as of July 26, 1989, among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended February 1, 1992. 4.13 Fourth Amendment to Term Loan Agreement dated as of September 22, 1989 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.12 to the Form 10-K for the year ended February 1, Agreement and Release dated as of December 12, 1990 by and among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.; incorporated by reference to Exhibit 4.13 to the Form 10-K for the year ended February 1, bus ofer a country is a second and the second and t 4:15 Settlement Agreement dated as of July 28, 1991 between Carter Hawley Hale Stores, Inc. and Bank of America National Trust and Savings Association. 4.16 Stockholder's Agreement between Carter Hawley Hale Stores, Inc. and First Plaza Group Trust, medicular tel M-111 by its Trustee Mellon Bank, N.A., dated as of January 25, 1993. The Company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the Company and its subsidiaries; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The Company agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request. 0.11 (10.19 C) Receivables-Backed Credit Agreement among CHH Receivables, Inc., Blue Hawk Funding Corporation and General Electric Capital Corporation, as Agent. Assignment and Security Agreement among CHH Receivables, Inc., Blue Hawk Funding 10.2 is aforther Corporation, Cash Collateral Bank and General Electric Corporation, as Agent, Letter of Credit the Bull of west of Agent, Liquidity Agent and Collateral Agent. 10.3 Receivables Purchase Agreement among Carter Hawley Hale Stores, Inc. and CHH Receivables, feeth of the wild by Inc. The second of the

10.4

10.5

The transfer of the service of the s

Promissory Note made by CHH Receivables, Inc. in favor of Blue Hawk Funding Corporation.

Letter of Credit Reimbursement Agreement among CHH Receivables, Inc., Blue Hawk Funding

Corporation, and General Electric Capital Corporation, as Letter of Credit Agent.

No.	Description incres()	
10.6*	Subordinated Retailer Security Agreement made by Carter Hawley Hale Stores, Inc. in for	avo
10.7°	Postpetition Store Modernization Facility Conversion Agreement dated as of August 18, 1 between Carter Hawley Hale Stores, Inc. and Zell/Chilmark Fund, L.P.	1992
10.8°	Agreement by and among Carter Hawley Hale Stores, Inc., the Neiman Marcus Group, and General Cinema Corporation, dated July 7, 1992.	Inc.
10.9*	Credit Agreement, dated as of October 8, 1992, among Carter Hawley Hale Stores, In Certain Commercial Lending Institutions, and General Electric Capital Corporation, as Agent for the Lenders.	nc.,
10.10*	Form of Revolving Credit Note.	-
10,12°	Trademark Security Agreement made by Carter Hawley Hale Stores, Inc. in favor of Gene Electric Capital Corporation. <u>Compensation Arrangements</u>	ral
10.13	Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. dated as of June 3, 1976 at amended as of February 4, 1977; incorporated by reference to Exhibit 15 to the Form 10-K form 10	nd for
12.17.17.10.14	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. execute on February 6, 1980; incorporated by reference to Exhibit 20 to the Form 10-K for the fisc year ended February 2, 1980.	ed cal
10.15	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. execute on April 7, 1983; incorporated by reference to Exhibit 10, 13 to the Fermi 10 to 5.	ed ar
10.16	Amendment 1990-I to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. effective as of August 1, 1990, incorporated by reference to Exhibit 4.6 to Post-Effective Amendment No. 7 to the Registration Statement (No. 2-6810) of Carter Hawley Hale Stores Inc. filed November 7, 1990.	
	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. incorporated by reference to Exhibit 4.5 to Post-Effective Amendment No. 5 to the Registration Statement (No. 2-68102) of Carter Hawley Hale Stores, Inc.	<b>.</b>
10.18	Carter Hawley Hale Savings & Investment Plan, as amended and restated as of March 1, 1993 incorporated by reference to Exhibit 4.1 to the Registration Statement (No. 33-58478) of Carter Hawley Hale Stores, Inc. filed February 17, 1993.	
alybem ( 10.19°	Carter Hawley Hale Stores, Inc. 1992 Stock Incentive Plan	
1.00	illion	

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Total heavy at hiber it of michigan

No. Description ( Carter Hawley Hale Stores, Inc. Executive Retention Incentive Plan effective as of February 1, 10.20 1991; incorporated by reference to Exhibit 10.15 of the Form 10-K for the year ended February 1, 1992. Carter Hawley Hale Stores, Inc. Special Severance Pay Plan effective as of February 1, 1991; 10.21 incorporated by reference to Exhibit 10.16 of the Form 10-K for the year ended February 1, 1992. Anomatow marking that the fall length Carter Hawley Hale Stores, Inc. Retirement Plan for Non-employee Directors dated as of 10.22 February 1, 1989; incorporated by reference to Exhibit 10.17 of the Form 10-K for the year ended February 1, 1992. Carter Hawley Hale Stores, Inc. Directors Deferred Compensation Plan effective as of 10.23 February 1, 1986; incorporated by reference to Exhibit 10.18 of the Form 10-K for the year ended February 1, 1992. Carter Hawley Hale Stores, Inc. Management Deferred Compensation Plan; incorporated by 10.24 reference to Exhibit 10.19 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987. 10,25 Carter Hawley Hale Stores, Inc. Deferred Compensation Plan for Executives; incorporated by reference to Exhibit 10.20 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987. Carter Hawley Hale Stores, Inc. Supplemental Executive Retirement Plan; incorporated by 10.26 reference to Exhibit 10.14 to the Form 10-K for the fiscal year ended January 28, 1984. Form of employment agreement between Carter Hawley Hale Stores, Inc. and certain officers. 10.27 Listing of officers covered as of January 30, 1993 by form of employment agreement referenced 10.28 at Exhibit 10.27. 10.29 Description of Compensation Agreement between the Company and Mr. Dworkin. 10.30 Assumption and amendment to employment agreement between Carter Hawley Hale Stores, Inc. and Philip M. Hawley, dated August 14, 1992. 10.31 Agreement between Carter Hawley Hale Stores, Inc. and Philip M. Hawley, dated October 12, 1992. Agreement between Carter Hawley Hale Stores, Inc. and Philip M. Hawley, dated 10.32 December 30, 1992. Form of indemnification agreement between Carter Hawley Hale Stores, Inc. and each of its 10.33 directors; incorporated by reference to Annex XV to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987. Form of indemnification agreement between Carter Hawley Hale Stores, Inc. and certain of its 10.34

(No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.

officers; incorporated by reference to Exhibit 10.31 to the Registration Statement

Exhibit Employee Benefits Agreement dated as of July 24, 1987 between Carter Hawley Hale Stores, 10.35 Inc. and The Neiman Marcus Group, Inc.; incorporated by reference to Exhibit 3 to the Form 8-K dated August 20, 1987. incorposition as to be a large of the second Preferability Letter from Price Waterhouse. Carter Hawley Hale Stores, Inc. Subsidiaries included on page 7.1; into to en . 22. february 1, 1 1.11, 121, ..., ... and 1.1 for 10, .... tor the year Consent of Price Waterhouse included on page 32. 24. 25. Powers of Attorney. · Aurika to the star of britishing our could be granuling. Exhibit filed with this Form 10-K. STOLLEN STREET, TOOLING Copies of any of the foregoing exhibits may be obtained by making a written request to the Secretary of the Company at the address shown on the cover. Copies will be furnished at a price of \$.20 per page with a minimum charge of \$10 per exhibit. there with the stores inc. Deserred Compensation Plantities that it is the straint of by reference the tist out it. 20 to the Registration Statement (Vo. 31-10 to inflation fley Halo Carb e Man ... . Hale Stores, Inc., Supplemental Exactive Rethement Plant incorparated by reference to I about 10, 14 to the Point 10-K for the Kiscal year aided langur 25, 1934. Form of conjugating a greement between Carier Linwley Halp States, inc. and cortes a officers Listing in fireers covered as of January 301/1993 by form of employing a greenwart referenced it to didicate to Coscopytion of Companisation Agreement netween the Company and Mr. Dworkers A saming thou and amondment to oninjoyment agreentholyteen Lante, Theory I falo Subres, the and I bring M. Hawlow dated August 14, 1992. Agen, neut between Carrer Handey Hale Storen, Inc. and Phillip M. Hawley, carrer Controver, 12. Agreement helween Carter Flowley Halo Stores, Inc. and Philip M. Alaiviev. Hatel 6 mler 60, 1902. arm of indenditioning receipent between Carter Hawley Alle Stores, Inc. and early of its tres it is, and organisted by reference to Kondex XV to the Registration Statement (No. 33, 16145) .. Figures Hate, Stores - to . filed July 28, 1987. , ions of indentification agreement beliefer Infler Hawley Hald Stores Inc. and reitain at its

Mo. 43-46, 1.5) of Carter Heavley Hale Stores, lad. filed fully 28, 1937

of its incomparated by indicated to taking the or the constitute for the following

EXHIBIT-22

Subsidiaries as of January 30, 1993

challes on the rest theore is the state of

Percentage State Ownership Incorporation

Active:

CHH Receivables, Inc.

the contract of

100%

Delaware

Inactive: ( 177, 1922)

Carter Hawley Hale Credit Corp.

Camelback Funding Corp.

Carter Hawley Hale Properties, Inc.

Private Business Air Service, Inc.

Net care use used to compute or meis per common sizes

Training and the mile probability of the second

100% Delaware

California on the manual 100%

100% California

(1) The meighted average unsuled shares outsingding relieves all shares of Common Stock expected to be issued; in a caretime with the Italy as if they had been issued on the Emergence Dates

(2) Por stone daya for periods prior to the Emgreeded fixed baye been omitted as these amounts no roll reflective. community regularity state mice.

#### Corporate Officers

Marc E. Bercoon
John F. Busey

Vice President and Treasurer General Counsel and Corporate Secretary Paul E. Chevalier ..... Senior Vice President, Employee Relations Robert A. Dourian ...... Executive Vice President, Human Relations Brian L. Fleming ....... Senior Vice President, Accounting and Taxes Executive Vice President, Marketing and Sales Promotion Gerald Mathews..... Executive Vice President, Stores Robert M. Menar Senior Vice President, Information Services Larry G. Petersen .......... Executive Vice President, Finance and Chief Financial Officer

#### Shareholder Information

Common Stock .......... Symbol: CHH, New York Stock Exchange and Pacific Stock Exchange

Chemical Trust Company of California
Security Holder Relations
Church Street Station
P. O. Box 24935
New York, New York 10249-0618

Carter Hawley Hale Stores, Inc. 3880 North Mission Road Los Angeles, California 90031